SBA 8(a) PILOT PROGRAM

HEARING

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS HOUSE OF REPRESENTATIVES

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SBA 8(a) PILOT PROGRAM

TUESDAY, SEPTEMBER 22, 1981

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS, COMMITTEE ON SMALL BUSINESS,

Washington, D.C.

The subcommittee met, pursuant to notice, at 8:30 a.m., in room 2359-A, Rayburn House Office Building, Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. MITCHELL. Good morning. Today the Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems will consider legislation to extend the Army-SBA 8(a) pilot and bond waiver programs through 1983.

Public Law 95-507 was enacted on October 24, 1978. As landmark legislation a major goal of this law is to increase the small and socially and economically disadvantaged business share of the Federal procurement dollar.

Of parallel significance, Public Law 95-507 requires SBA to assist socially and economically disadvantaged individuals to develop viable businesses. The philosophical construction of Public Law 95-507 centers around documentative evidence of the historical and institutional exclusion of minority businesses in this Nation's public sector economy.

By way of illustration, in 1977 minority businesses received less than 1 percent of the Federal Government's total procurement budget of nearly $90 billion. Since 1978, Public Law 95-507 has begun to make a small but yet consistent inroad for minority businesses in the vast Federal procurement budget.

In 1980, socially and economically disadvantaged businesses received nearly 3 percent of the total Federal procurement budget. It's not much but it's some improvement. Surely this does not approach economic parity but it is a step in the right direction.

If one were to examine some of the reasons for the above gains, I am confident that the 8(a) pilot program would be ranked near the top of the success list. Yes, I believe the Army-SBA 8(a) pilot program, in spite of its early operational problems has begun to move in the direction as envisioned by the Congress.

To date, only 14 contracts have been signed under the Army-SBA 8(a) pilot program with a total dollar value of $100 million. These contracts are high technology and manufacturing and construction in scope.

Indeed, this pilot program, for some 8(a) firms has been the difference between success and failure. Some firms are now able to get bonding otherwise prohibited, and some firms are now able to get bank lines of credit otherwise denied.

While the Army-SBA 8(a) pilot program has exhibited degrees of success, the bond waiver pilot program has not. Simply stated, since 1978 SBA has not implemented this program pursuant to the mandate of Congress. I am always, of course, deeply concerned when an agency can blatantly refuse to carry out the mandate of the Congress. As of this hearing, not one bond, not a single one, has been waived under this program, and we'd like to find out why.

Today's witnesses will testify on the legislation to extend the Army-SBA 8(a) pilot and bond waiver programs.

The witnesses present today are: Mr. Al Harrell, president of Hi Lo Industries; Mr. Henry Eschwege, director, Community and Economic Development Division of the General Accounting Office; and Mr. Michael Cardenas, Administrator, for the Small Business Administration

I am confident that at the conclusion of today's hearings we will be able to establish a clear case for the legislative extension of two programs that are critical for the further development of socially and economically disadvantaged businesses in this country, namely the Army-SBA 8(a) pilot and bond waiver programs.

I want to thank you for being here so early in the morning. It's good to start at 8:30. Everybody's alert and you can take care of business early and move on to your other functions.

Thank you very much, Mr. Eschwege, and all other persons for being here, and you will be our leadoff witness.

TESTIMONY OF HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GENERAL ACCOUNTING OFFICE

Mr. ESCHWEGE. Thank you, Mr. Chairman. I'd like to introduce my colleagues here this morning. On my left is Robert Allen, Jr., our senior group director; on my immediate right is Dewey Gibson, senior evaluator; and on his right is Joe Maranto, also a senior evaluator.

Mr. Chairman, I have a statement. If you wish, though, I could just read portions of it or read it in total.

Mr. MITCHELL. No; it's entirely up to you. Your statement in its entirety will be submitted for the record. I would suggest that you simply extract the salient points from it.

Mr. ESCHWEGE. That's what I'd prefer to do. Thank you, sir.

We are here at your request to discuss the results of our reviews of SBA's implementation of the surety bond waiver provision and the 8(a) pilot program. H.R. 4500 would extend the expiration date for both of these programs.

As noted in our report, which has just been released, final regulations for surety bond waivers were published in the Federal Register on December 17, 1980; however as of September 8, 1981, SBA still had not issued to its field offices detailed standard operating procedures for identifying and processing bond waivers.

This delay was due to internal problems in clearing the procedures. As a result no surety bond waivers, as indicated, have been granted to date.

SBA's 10 assistant district directors, a business development specialist, and 4 regional or district surety bond representatives with whom we spoke raised several questions concerning the surety bond waiver eligibility requirements and suggested several reasons why the provision, as currently structured, may not be possible to implement in their areas.

These concerns included admitting firms into the 8(a) program that may be worse off financially than firms already in the program—that is, firms SBA had determined were capable of obtaining bonding but still cannot obtain contracts to help them develop into viable small businesses.

Also there was concern about the SBA-imposed $100,000 limit on the size of a contract for which bonding may be waived; concern about the legal requirement that to be eligible a firm cannot have been in the 8(a) program more than 1 year, and finally, the practice at some SBA district offices of not admitting firms into the 8(a) program if they do not have the ability to obtain needed bonding.

To be eligible for a surety bond waiver a firm must be an 8(a) firm and must have been refused bonding under SBA's surety bond guarantee program. Based on SBA statistics for the period October 1978, when the law was passed, through June 1981, 6,085 applications were received for bonding under the guarantee program from firms identified as 8(a) firms. Only about 2 percent, or 144 of the 8(a) applicants were refused bonding under the program.

Also, about 3 percent or 183 of the applicants withdrew their applications.

Our analysis of the 144 applicants who were denied bond guarantees showed that 87 were not eligible for surety bond waivers because they were found not to be 8(a) firms. Of the remaining 57 firms, 48 had been in the 8(a) program longer than 1 year and were, therefore, not legally eligible.

Six of the remaining nine firms had been in business longer than the maximum allowed 2 years, and two of the three applicants who otherwise met the criteria, requested bonding on contracts that exceeded $100,000.

Based on this analysis, SBA's surety bond waiver provision, if it had been implemented, might have assisted only one 8(a) firm.

Despite the results of our analysis and the concerns raised by SBA officials, we believe that extending the surety bond waiver provision beyond the September 30, 1981, expiration date would be reasonable because SBA has not implemented the provision.

Procedures needed to implement the provision, or identify and process surety bond waivers, have not been issued. Also, some firms which SBA district officials said were denied contracts or admittance into the 8(a) program because of their inability to obtain bonding might have been helped if the provision had been implemented soon after it was passed.

No statistics were available on the number of firms that were denied admittance to the 8(a) program because of their inability to get bonding.

We suggested in our report that the Congress consider extending the surety bond waiver provision for 2 years, to September 30, 1983, and require SBA to report to the Congress on the provision's effectiveness before the revised expiration date. A program extension would allow SBA sufficient time to implement the surety bond waiver provision, resolve, if found substantiated, some of the surety bond waiver concerns perceived by its field offices—such as raising the $100,000 limitation—and determine how effective the provision will be in assisting small and small minority businesses.

When we showed SBA our report they agreed that a 2-year extension on the bond waiver provision would enable it to finalize and distribute implementing procedures to its field offices, identify eligible concerns that have a need for bond waivers, and monitor and report on the effectiveness of the bond waiver provision.

We understand now, Mr. Chairman, that SBA will say here today that they do not favor the extension of this particular provision.

We note that H.R. 4500 would extend the surety bond waiver provision for 2 years, through fiscal year 1983; 2 years seems to be a reasonable amount of time for SBA to issue its operating procedures, carry out the program, and report to the Congress on the program's results.

Let me also comment briefly on the 8(a) pilot program.

The Comptroller General's report on the pilot program was released to the Congress on January 23, 1981 (CED-81-22).

We pointed out that this program had not been successful. We concluded that the successful use of the pilot program depended in part on SBA's ability to have information available on the qualifications of 8(a) firms. SBA needs to know enough about procurement opportunities to judge whether a particular firm can do the job.

We stated that these requirements could only be fulfilled if SBA had a workable system insuring that its field personnel were being used in critical decisions regarding the selection and certification of firms, and if procurement center representatives were being used to locate procurement opportunities.

The Army, with a history of cooperation in offering contracts to the regular 8(a) program, was selected for pilot program participation. We concluded that opportunities exist to more fully test the pilot program in an additional agency that has been reluctant to volunteer procurements to the regular 8(a) program.

We recommended that the Congress amend the authorizing legislation to allow for further testing of the pilot program in an additional agency that has yet to demonstrate its complete support for the 8(a) program.

H.R. 4500 would authorize a 2-year extension of the pilot program. We believe it is important that SBA solve the problems we identified before any further contracts are selected and awarded. We have not yet had the opportunity to determine whether SBA has corrected these problems.

We understand, however, that as we recommended, SBA's Office of the Inspector General is reviewing the three initial pilot contracts. In addition, we learned through discussions last week with 8(a) program officials that SBA plans to make several changes to

the program along the lines of our report recommendations. We are in favor of an extension of the program provided SBA implements these changes.

H.R. 4500 does not contain a provision, as we recommended, that would amend the authorizing legislation to allow for further testing of the pilot program in an additional agency. We would support such a provision if the new pilot agency is one that has yet to demonstrate its complete support for the 8(a) program.

In this connection, we pointed out in our report that SBA and the Army differed on whether the pilot program should emphasize the quality or quantity of contracts. The subcommittee may wish to clarify in H.R. 4500 whether quality or quantity of contracts, or both, should be emphasized.

Mr. Chairman, this concludes the summary of my statement, and I will be glad to respond to your questions.

[Mr. Eschwege's prepared statement, with attachment, follows:]

PREPARED STATEMENT OF HENRY ESCHWEGE, DIRECTOR, COMMUNITY AND ECONOMIC DEVELOPMENT DIVISION, GAO

Mr. Chairman and members of the subcommittee; we are here today at your request to discuss the results of our reviews of SBA's implemenation of the surety bond waiver provision and the 8(a) pilot program. H.R. 4500 would extend the expiration date for both of these programs.

Public Law 95-507 requires us to evaluate several SBA programs and report to the Congress. The reviews we are testifying on today were made in partial fulfillment of our responsibility under the act. Appendix I attached to my statement lists and summarizes other reports we have issued pursuant to the public law.

THE SURETY BOND WAIVER PROVISION HAS NOT BEEN IMPLEMENTED

We stated in an August 20, 1980, status report (CED-80-130) that SBA had published proposed rules and regulations for surety bond waivers on April 4, 1980, and that, at the time of our report, not a single small business had been granted a waiver. The 17-month publishing delay was due partly to confusion within SBA about who was responsible for administering the provision and the lack of priority given to bond waivers as compared to other Public Law 95-507 provisions.

As noted in our report which had just been released (CED-81-151), final regulations for surety bond waivers were published in the Federal Register on December 17, 1980. However, as of September 8, 1981, SBA still had not issued to its field offices detailed standard operating procedures for identifying and processing bond waivers. This delay was due to internal problems in clearing the procedures. As a result, no surety bond waivers have been granted to date.

The surety bond waiver provision called for a 2-year pilot effort to help certain small businesses obtain contracts under SBA's 8(a) business development program. If a qualified small business cannot obtain the necessary bonding through a surety company or SBA's surety bond guarantee program, then SBA has authority under Public Law 95-507 to waive any amount of any bond otherwise required on any Government contract under the 8(a) program. As of September 30, 1980, SBA had provided contracts totaling $5.5 billion to 8(a) firms. Of the 4,598 firms that have participated in the 8(a) program, 1,705 (37 percent) were construction firms.

Surety bonding is often a prerequisite, particularly in construction work, for obtaining both Government and private contracts. The Miller Act, for example, requires surety bonds on all Federal construction contracts of $25,000 or more.

SBA's 8(a) program procedures state that the procuring agency (Federal agency providing the contract to SBA) "Shall be requested not to require bonds in nonconstruction contracts except where such requirement is absolutely essential to protect the interests of the Government." Therefore, as a practical matter, bond waivers are limited to 8(a) construction contracts.

In addition to various statutory requirements, SBA's proposed operating procedures limit to $100,000 the amount of a contract on which a surety bond may be waived.

SBA's 10 Assistant District Directors, a business development specialist, and 4 regional or district surety bond representatives with whom we spoke raised several

questions concerning the surety bond waiver eligibility requirements and suggested several reasons why the provision, as currently structured, may not be possible to implement in their areas. These concerns included (1) admitting firms into the 8(a) program that may be worse off financially than firms already in the program—firms SBA had determined were capable of obtaining bonding, but still cannot obtain contracts to help them develop into viable small businesses, (2) the SBA-imposed $100,000 limit on the size of a contract for which bonding may be waived, (3) the legal requirement that to be eligible, a firm cannot have been in the 8(a) program more than 1 year, and (4) the practice at some SBA District Offices of not admitting firms into the 8(a) program if they do not have the ability to obtain needed bonding.

To be eligible for a surety bond waiver, a firm must be an 8(a) firm and must have been refused bonding under SBA's surety bond guarantee program. Based on SBA statistics for the period October 1978, when the law was passed, through June 1981, 6,085 applications were received for bonding under the guarantee program from firms identified as 8(a) firms. Only about 2 percent or 144 of the 8(a) applicants were refused bonding under the program. Also, about 3 percent or 183 of the applicants withdrew their applications. Our analysis of the 144 applicants who were denied bond guarantees showed that 87 were not eligible for surety bond waivers because they were found not be be 8(a) firms. Of the remaining 57 firms, 48 had been in the 8(a) program longer than 1 year and were, therefore, not legally eligible. Six of the remaining nine firms had been in business longer than the maximum allowed 2 years, and two of the three applicants who otherwise met the criteria, requested bonding on contracts that exceeded $100,000. Based on this analysis, SBA's surety bond waiver provision, if it had been implemented, might have assisted only one 8(a) firm.

Despite the results of our analysis and the concerns raised by SBA officials, we believe that extending the surety bond waiver provision beyond the September 30, 1981, expiration date would be reasonable because SBA has not implemented the provision. Procedures needed to implement the provision, or identify and process surety bond waivers, have not been issued. Also, some firms which SBA district officials said were denied contracts of admittance into the 8(a) program because of their inability to obtain bonding might have been helped if the provision had been implemented soon after it was passed. No statistics were available on the number of firms that were denied admittance to the 8(a) program because of their inability to get bonding.

We suggested in our report that the Congress consider extending the surety bond waiver provision 2 years, to September 30, 1983, and require SBA to report to the Congress on the provision's effectiveness before the revised expiration date. A program extension would allow SBA sufficient time to (1) implement the surety bond waiver provision, (2) resolve, if found substantiated, some of the surety bond waiver concerns perceived by its field offices—such as raising the $100,000 limitation, and (3) determine how effective the provision will be in assisting small and small minority businesses.

SBA agreed that a 2-year extension of the bond waiver provision would enable it to (1) finalize and distribute implementing procedures to its field offices, (2) identify eligible concerns that have a need for bond waivers, and (3) monitor and report on the effectiveness of the bond waiver provision.

We note that H.R. 4500, would extend the surety bond waiver provision for 2 years, through fiscal year 1983. Two years seems to be a reasonable amount of time for SBA to issue its operating procedures, carry out the program, and report to the Congress on the program's results.

THE 8(A) PILOT PROGRAM

Let me also comment briefly on the 8(a) pilot program.

The Comptroller General's report on the pilot program was released to the Congress on January 23, 1981, (CED-81-22).

We pointed out that this program had not been successful. We concluded that the successful use of the pilot program depended, in part, on SBA's ability to have information available on the qualifications of 8(a) firms. SBA needs to known enough about procurement opportunities to judge whether a particular firm can do the job. We stated that these requirements could only be fulfilled if SBA had a workable system ensuring that its field personnel were being used in critical decisions regarding the selection and certification of firms, and if procurement center representatives were being used to locate procurement opportunities.

The Army, with a history of cooperation in offering contracts to the regular 8(a) program, was selected for pilot program participation. We concluded that opportuni-

ties exist to more fully test the pilot program in an additional agency that has been reluctant to volunteer procurements to the regular 8(a) program.

We recommended that before any further contracts are selected and awarded under the pilot program, the Administrator, SBA should:

Direct program officials to diligently enforce the pilot program's objective by demanding contracts only when the army is reluctant to offer them under the regular 8(a) program. Also, these officials should use the pilot program only when a qualified firm is available.

Direct program officials to make sure that 8(a) firms selected for the pilot program have the capabilities to do the job successfully. SBA should use information on the firm's past performance in delivering on 8(a) contracts.

Direct program officials to make sure that procurement center representatives have enough information on 8(a) firm's capabilities so that this data can be used to match qualified firms to procurements.

Request the Office of the Inspector General to conduct reviews of the three initial pilot contracts to find out how effectively contractors performed.

We recommended that the Congress amend the authorizing legislation to allow for further testing of the pilot program in an additional agency that has yet to demonstrate its complete support for the 8(a) program.

H.R. 4500 would authorize a 2-year extension of the pilot program. As I have already noted, we believe it is important that SBA solve the problems we identified before any further contracts are selected and awarded. We have not yet had the opportunity to determine whether SBA has corrected these problems. We understand, however that SBA's Office of the Inspector General is reviewing the three initial pilot contracts. In addition, we learned through discussions last week with 8(a) program officials that SBA plans to make several changes to the program along the lines of our report recommendations. We are in favor of an extension of the program provided SBA implements these changes.

H.R. 4500 does not contain a provision as we recommended that would amend the authorizing legislation to allow for further testing of the pilot program in an additional agency. We would support such a provision if the new pilot agency is one that has yet to demonstrate its complete support for the 8(a) program. In this connection, we pointed out in our report that SBA and the Army differed on whether the pilot program should emphasize the quality or quantity of contracts. The subcommittee may wish to clarify in H.R. 4500 whether quality or quantity of contracts, or both, should be emphasized.

Mr. Chairman, this concludes my prepared statement. We will be glad to respond to any questions.

Appendix I.—Reports GAO Issued Pursuant to Public Law 95-507

1. "Status Report on Small and Small Minority Business Subcontracting and Waiver of Surety Bonding for 8(a) Firms" (CED-80-130, Aug. 20, 1980).

The Small Business Administration has not fully implemented the section 7(j)(3) subcontracting program and the section 8(a)(2) surety bond waiver provision of the Small Business Act. Under section 7(j)(3), SBA, with the assistance of a presidentially appointed Advisory Committee, is to encourage large businesses to place subcontracts with small firms. Problems impeding progress in implementing section 7(j)(3) include: delays in establishing the Presidentially appointed Advisory Committee; the lack of specific committee functions and goals; and the exclusive focus of the committee on Federal subcontracting instead of on private sector subcontracting.

Despite problems in implementing section 7(j)(3), SBA has taken several actions to help small and small minority businesses compete in the private sector.

Under the surety bond waiver provision, the SBA Administrator is authorized to waive any bond required by a Government procurement officer on contracts under SBA's section 8(a) Business Development Program. This provision also has not been implemented. A major cause for this appears to be a disagreement or misunderstanding between two SBA offices concerning who was responsible for implementing the provision.

GAO makes recommendations to help alleviate the problems impeding implementation of the two provisions.

2. "Most Borrowers of Economic Opportunity Loans Have Not Succeeded in Business" (CED-81-3, Dec. 8, 1980).

SBA's Economic Opportunity Loans have not been an effective way to help disadvantaged people start or improve their own businesses. More borrowers have defaulted on the loans than have repaid them. Many who paid off their loans have not remained in business. Furthermore, the outlook for borrowers with active loans is not good since many are in financial difficulty.

The program provides services to borrowers whose limited capital, inexperience, and other factors make high rates of loss and business failure unavoidable. Nevertheless, program results could improve if SBA changed the way it manages the program and took measures to help borrowers overcome their undercapitalization and inexperience.

If program results do not improve, congressional oversight committees should determine whether the program's objectives could be better achieved by transferring its funds to other Federal programs for disadvantaged businesses.

3. "The 8(a) Pilot Program for Disadvantaged Small Businesses Has Not Been Effective" (CED-81-22, Jan. 23, 1981).

SBA's use of a special pilot program which gives it the authority to demand contracts for the 8(a) program has not been successful.

SBA (1) did not have enough information to properly assess and match 8(a) firms' capabilities with pilot procurements and (2) approved 8(a) firms to perform pilot contracts without knowing their capabilities. GAO believes SBA made a poor choice of those firms that were awarded the three initial pilot contracts.

There is a difference between Army, which was selected as the pilot agency, and SBA over the way the pilot program can be used most effectively. GAO is recommending that the Congress allow further testing of the pilot program in an additional agency that, unlike the Army, has not demonstrated its complete support of the 8(a) program.

4. "The SBA 8(a) Procurement Program—A Promise Unfulfilled" (CED-81-55, Apr. 8, 1981).

SBA's 8(a) Procurement Program gives noncompetitive Government contracts and other aid to help disadvantaged business owners become self-sufficient. Few aided firms have graduated as competitive businesses. The bulk of 8(a) contracts has gone to a select group of firms. Many firms have not built up commerical sales, rely on 8(a) contracts, and view the program as an end in itself.

SBA is reluctant to remove from the program firms that are needed to meet yearly contract volume goals. Because of this, other disadvantaged firms cannot participate. Insufficient staff, vague graduation criteria, and poor records also hamper the program's effectiveness. Further, the small business community is concerned about the program's future impact on its businesses.

GAO proposes several alternatives and recommendations to restructure the 8(a) program and resolve its problems.

Mr. MITCHELL. Thank you very much.

Let me say it's the thinking of at least one member of this subcommittee that the emphasis ought to be on both. We simply don't want to have 50 contracts out there and none of them with quality. On the other hand we don't want to stress quality to the extent that we might end up with just two contracts. So I think the emphasis has got to be on both quality and quantity.

Mr. ESCHWEGE. I personally agree with that. Yes.

Mr. MITCHELL. First of all, in your testimony on page 4 you indicated that—it's about the middle paragraph—of the remaining 57 firms, 48 had been in the 8(a) program longer than 1 year and were, therefore, not legally eligible.

That's legally eligible only in the sense that SBA had set some administrative procedures.

Mr. ESCHWEGE. The law itself, Mr. Chairman, says that you're only eligible the first year you're in the 8(a) program.

Mr. MITCHELL. What would be your feeling then? Do you think that ought to be changed?

Mr. ESCHWEGE. I think as part of this renewal of the program; it's certainly something that ought to be paid attention to. I am not sure it ought to be changed.

There is a complicating factor right now, Mr. Chairman.

Mr. MITCHELL. What is it?

Mr. ESCHWEGE. You know, the Administrator of SBA has established a moratorium on new 8(a) contractors coming into the program.

Mr. MITCHELL. Well, let me just comment before you finish your statement. We hope that the Administrator will be lifting that moratorium this month. He testified to that effect earlier this year—that that would be his intent.

Mr. ESCHWEGE. Still, over time this has reduced the number of 8(a) firms that are eligible for these bond waivers. You see 8(a) firms by law, as I mentioned, can only benefit from the program in the first year after they enter it. Since the May 1 moratorium new applicants were not admitted to the program. As a result there is a continued reduction of eligibles as they reach that 1-year limit, and no new 8(a) contractors are coming in.

Mr. MITCHELL. That would be one of the reasons, it seems to me, for extending the 1-year limitation.

Mr. ESCHWEGE. It could be.

Mr. MITCHELL. The moratorium, plus some other factors.

Your report states that many of the SBA officials contacted believe that the $100,000 limitation SBA has placed on the amount of a contract for which bonding may be waived is too low. I'd like to get your comments on that.

Do you have any data on the number of construction contracts SBA has awarded over the past few years that are $100,000 or less?

Mr. ESCHWEGE. We anticipated this question, and we do have some data on that.

As of September 1980, there were about 4,770 construction contracts over a 3-year period; 3,330 of these were for less than $100,000. Now this figure can be misleading because it includes about 1,500 contracts under $25,000 where no bonding is required under the Miller Act. So we're really talking about 1,800-some contracts under $100,000, for which bonding would be required over this 3-year period.

Mr. MITCHELL. 1,800 and some. OK.

Now this is page 4 of your testimony again, at the very top, item No. 4.

The practice at some SBA district offices of not admitting firms into the 8(a) program if they do not have the ability to obtain needed bonding. Can I infer from that that some district offices follow this practice; others do not?

Mr. ESCHWEGE. That's correct; yes.

Mr. MITCHELL. Then there's no uniform procedure coming from——

Mr. GIBSON. Could I comment on that?

What happens is that standard operating procedures for the Small Business Administration allow some flexibility here and the exercise of judgment on the part of district offices as to whether a firm can get bonding. At some of the district offices—well, that's a factor but not a decisive factor. They'll let a firm in anyway and see what happens—offer him a contract and see if he can get bonding, whereas other district offices say if he doesn't have the ability to get bonding we won't even allow him into the 8(a) program.

Mr. MITCHELL. Well, in your opinion does that flexibility adversely or positively impact on the implementation of the program?

Mr. ESCHWEGE. I think it does adversely impact on the program and it is something within the Small Business Administration that can be corrected. It doesn't need any legal change.

Mr. HILER. I have several questions. You mention on page 7 of your testimony that you recommend that the Congress amend the authorizing legislation to allow for further testing of the pilot program in an additional agency that has yet to demonstrate its complete support for the 8(a) program.

Why would you pick an additional agency that has yet to demonstrate its complete support for 8(a) to include the pilot program?

Mr. ESCHWEGE. Well, as we point out also in our statement, the Army, at the time we looked at it, was very much committed to the 8(a) program. It had a lot of contracts under the regular program, and as we interpreted the legislative history of this pilot program it was to, in effect, demand from agencies which have been reluctant in the past to get into the 8(a) program to get them to commit themselves to 8(a) contracts. The Army didn't seem to be the best choice for that, since they were already committed. And we're not sure as a result that it has been a fair test of how you in effect force an agency into getting 8(a) contracts for some of the minorities.

Mr. HILER. We're here today to hold hearings previous to marking up a bill that considers whether we reauthorize or not. You've mentioned that the program has not been a success, but we're talking about putting it in an agency that is probably going to be more inclined to make it less of a success than somebody else. I don't understand the rationale.

Mr. ESCHWEGE. Well, I think our position was simply that a number of the contracts that were put into the pilot 8(a) program could very easily, because of the Army's cooperation, have been put into the regular program. So what we're saying is the pilot program has not been tested. Under the law the SBA can demand from an agency a contract under 8(a) even though they may be reluctant to do so. And there are very few situations where the Army really was reluctant to get into the program.

Mr. HILER. Well, it seems to me if one of the reasons we're doing it is to assist those agencies that are reluctant to get into 8(a), then why don't we do things with the existing 8(a) rather than foisting another kind of program on. It seems to me that the more layers of programs you add on the more complicated it gets and the less chance there is for any of them to be successful.

Mr. ESCHWEGE. Well I think what you're really advocating then is that the entire 8(a) program be one where SBA can demand from a particular agency to enter into certain 8(a) contracts. I don't know what was in the Congress' mind when they did all this, but I think they wanted to test it before they mandated it for the entire 8(a) program. Therefore they chose this as a sort of demonstration program.

Mr. HILER. The Army has complained that the 8(a) pilot program has disrupted its efforts to increase awards under the regular 8(a) program. Do you agree with that assessment?

Mr. ESCHWEGE. I think there were some contracts which the Army could have very easily put under the regular 8(a) program. We had one situation where actually the contract was first

offered under the regular 8(a) program and then withdrawn, and it looked like SBA—and this was some time ago—wanted to look good so they put it into the pilot program.

Mr. HILER. The Army has said that approximately 75 percent of all the professional time in the Office of the Director this past year was devoted to some aspect of the pilot program, and that it was at the expense of the 8(a). Do you think we should cease doing it at the Army pilot program?

Mr. ESCHWEGE. Well, in our report we suggested that an additional agency be selected for the program, but that was in January. We heard then, and since then, a lot of concerns about the way the Army and SBA were working together on this program. There was a considerable difference of opinion, and my belief at this time is, yes, it may be better to phase out the Army, since they have stated, in effect, that they don't want to be a part of it. You then might simply select another agency.

Mr. HILER. Thank you very much.

Mr. MITCHELL. Thank you.

If I may, I'd like to just make one or two comments on that colloquy that took place.

I think one of the problems of the Army was that it felt put upon when it was chosen for the pilot program. Certainly that was evidenced in testimony before this subcommittee.

It took the position we are doing a pretty good job; why should we be selected? And our response was that you should be selected because you have started to do a good job. Therefore, under this program we want to deal with an agency that at least is in the right direction and to try to set an example to see if the program would work.

In my opinion it was because of the initial feelings of the Army—the Secretary testified about the initial feelings of that branch of the service—that from the outset there was an adversarial relationship established—between Army and SBA—and I don't think that that adversarial relationship was ever ended, and that certainly did not inure to the best interests of the program.

I would hope that under the new Administrator that kind of adversarial relationship would not be established, and therefore we could test the Army for an extended period of time.

In your testimony you said an additional agency. What's your feeling about—let's say moving with the Army for an additional period of time, assuming that the new Administrator will diminish the adversarial aspects of the relationships, so that we test Army and perhaps one civilian agency?

Mr. ESCHWEGE. Well, that was really our original position, but I have some doubts that this relationship can be restored to an amiable level, and I think in due respect to the Administrator it kind of takes two to tango, and the Army has told us that they don't want any part of it any more. So I'm wondering how you would turn them around on this, as well as the SBA.

Mr. MITCHELL. It's a curious kind of thing when an agency of Government can, because of its attitude, just simply say we'll be uncooperative despite the law or despite what Congress has asked us to do. I think that is not in the best interests of the workings of a democratic system.

Mr. Staton.

Mr. STATON. Thank you, Mr. Chairman. I was late attending this morning and didn't get to hear this gentleman's testimony, so I will pass for questions at this time. Thank you.

Mr. MITCHELL. Thank you

Thank you very much, gentlemen. I'd appreciate it if you could stay a little while and perhaps hear some testimony from the other witnesses.

Mr. STATON. Thank you.

Mr. MITCHELL. Our next witness this morning is Mr. Al Harrell who is the president of Hi Lo Industries.

Gentlemen, I understand copies of his testimony will be brought out in just a moment. While, if it's all right with both of you, let's proceed with his testimony until we get the written copy.

TESTIMONY OF ALFRED C. HARRELL, PRESIDENT, HI LO INDUSTRIES, INC.

Mr. MITCHELL. Good morning. Thank you very much.

Mr. HARRELL. Thank you very much, Mr. Chairman and members of the committee.

My name is Alfred C. Harrell, president of Hi Lo Industries. On behalf of Hi Lo Industries, I wish to take this opportunity to thank you for inviting me to testify at this hearing, in order that I can acquaint you with Hi Lo Industries and how Public Law 95-507 and the pilot program has assisted our firm.

Mr. Chairman, may I request that this testimony, along with Hi Lo's reply to the GAO report dated January 23, 1981, and excerpts from Engineering News Record dated April 16, 1981, and excerpts from Black Enterprise dated June 1981 be enterd into the record.

Mr. MITCHELL. Without objection, those statements will be entered into the record.

[The documents referred to above follow:]

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

The 8(a) Pilot Program For Disadvantaged Small Businesses Has Not Been Effective

The Small Business Administration's use of a special pilot program which gives SBA the authority to demand contracts for the 8(a) program has not been successful.

SBA (1) did not have enough information to properly assess and match 8(a) firms' capabilities with pilot procurements and (2) approved 8(a) firms to perform pilot contracts without knowing their capabilities. GAO believes SBA made a poor choice of those firms that were awarded the three initial pilot contracts.

There is a difference between Army, which was selected as the pilot agency, and SBA over the way the pilot program can be used most effectively. GAO is recommending that the Congress allow further testing of the pilot program in an additional agency that, unlike the Army, has not demonstrated its complete support for the 8(a) program.

CED-81-22
JANUARY 23, 1981

87-540 O - 82 - 2

COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-197880

To the President of the Senate and the
Speaker of the House of Representatives

This report, which was prepared pursuant to Public Law 95-507, discusses the Small Business Administration's implementation of the 8(a) pilot contracting program. The Department of the Army was selected as the pilot agency on January 30, 1979. The report discusses the need for better management and recommends that the Small Business Administration make a number of improvements.

The report also discusses the difference of opinion between Army, the pilot agency, and the Small Business Administration over the way the pilot program can be used most effectively. We are recommending that the Congress allow further testing of the pilot program in an additional Federal agency that, unlike the Army, has not demonstrated its complete support for the 8(a) program. This will require a change in the legislation which presently allows for designating a single pilot agency.

Just prior to issuance of this report, we learned that on December 19, 1980, the President designated, under the provisions of Public Law 96-481, three additional Federal agencies to participate in the Small Business Administration's pilot program--the Departments of Energy and Transportation and the National Aeronautics and Space Administration. While we have no further information about the President's action, we see no basis in the law for designating more than one agency to participate in the pilot program.

This report is one in a series under Public Law 95-507. We are sending copies of this report to the Director, Office of Management and Budget; the Administrator of the Small Business Administration; and the Secretary of Defense.

Elmer B. Staats
Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

THE 8(a) PILOT PROGRAM FOR DISADVANTAGED SMALL BUSINESSES HAS NOT BEEN EFFECTIVE

D I G E S T

GAO's review of a 2-year pilot program showed that the Small Business Administration (SBA) has not improved its ability to secure procurements for the 8(a) program. SBA awards procurement contracts under this program to socially and economically disadvantaged small businesses for the purpose of helping them become competitive. When SBA uses the pilot program, it has the exclusive authority to designate procurement requirements.

The Department of the Army was selected as the pilot agency in January 1979. SBA and the Army took 4 months to formalize an interagency agreement. Four months later, in September 1979, SBA issued guidelines to field officials. It was not until February 1980 that SBA's central office officials met with SBA regional officials and procurement center representatives to discuss implementation of the pilot program.

GAO's review--which was performed after SBA selected and awarded the three initial pilot contracts--disclosed that SBA approved the 8(a) firms that received these three contracts without adequately assessing their capability to perform. In GAO's opinion, SBA made a poor choice of firms. (See p. 11.)

In the administration of the pilot program, SBA made little use of its field offices to select and award contracts.

GAO also believes that opportunities exist to more fully test the pilot program in an additional agency that has not yet demonstrated its complete support for the 8(a) program. (See p. 22.)

CED-81-22

Tear Sheet. Upon removal, the report cover date should be noted hereon.

PILOT PROGRAM OBJECTIVE NOT MET

Authorizing legislation--and its history--suggest that the pilot program is meant to help SBA secure 8(a) procurements for disadvantaged businesses. SBA's stated objective for the pilot program is to seek procurement opportunities which are not currently offered by the Army under the regular 8(a) program. It has not yet met this objective.

GAO found that the three initial contracts awarded under the pilot program, as well as several other contracts subsequently selected, could have been handled under the regular 8(a) program. SBA began in April 1980 to place as many procurements as possible in the pilot. Many of these were regular 8(a) program-type procurements, while others were procurements that represented work far beyond the capabilities of the 8(a) firms selected for the contracts. GAO questions the contribution these contracts will make toward the development of the 8(a) firms that received them. (See pp. 4 to 10.)

In April 1980, SBA issued criteria that 8(a) firms must meet before they can be selected for the pilot program. It also issued criteria for contracts selected for the pilot program. GAO believes that SBA's intent to use the pilot program to upgrade the quality of procurements available to participants in the 8(a) program is laudable. (See pp. 7 and 9.)

BETTER PROGRAM CONTROLS NEEDED

Before SBA uses the pilot program, it must certify that an 8(a) firm can perform., GAO found that SBA lacks sufficient information at its central office--where the pilot is administered--to properly assess and match 8(a) firms' capabilities with procurement opportunities. SBA approved the 8(a) firms receiving the three initial contracts without adequately assessing the firms' capabilities. (See p. 12 and app. I.)

SBA did not consider whether the firms successfully delivered on prior 8(a) contracts. Also, SBA's capability assessment did not use all sources of information on the firms, such as regional and district officials, who are closer to the firms and monitor their progress through the 8(a) program.

For example, the central office awarded one of the three contracts even though the firm had not started work on its previous $70,000 8(a) contract until a year after it was awarded. SBA district officials objected to the pilot award of $4 million because they believed the firm was not capable of performing. Despite this objection, the award was made, but only after SBA negotiated a joint venture arrangement which in effect placed most of the work performance in the hands of several nondisadvantaged companies. (See pp. 12 to 14.)

Procurement center representatives do not have information on the capabilities of 8(a) firms. They need this information to match qualified firms to pilot procurements they identify. (See pp. 14 to 16.)

The results of GAO's review were discussed with SBA program officials. They had no comments regarding these deficiencies; however, one official said that SBA would closely monitor the work progress of the firm that received the $4 million contract. (See p. 14.)

ADDITIONAL PROGRAM TESTING NEEDED

SBA and Army hold differing opinions on the pilot program's purpose and the most appropriate agency in which to test the program. SBA's interpretation of the purpose is the opportunity to improve the quality of 8(a) procurements through criteria calling for sophisticated, high technology, large-dollar, multiyear procurements. Army's interpretation is "more procurements" from an agency that has not yet supported the 8(a) program. Army has had a history of supporting the program.

GAO believes that the pilot program should be more fully tested in an agency that has not yet demonstrated its complete support for the 8(a) program. (See p. 19.)

CONCLUSIONS

GAO believes that the Congress authorized the pilot program to increase SBA's ability to develop viable firms in the 8(a) program.

The successful use of the pilot program depends, in part, on SBA's ability to have information available on the qualifications of 8(a) firms. It also needs to know enough about procurement opportunities to judge whether the firm can do the job. Nevertheless, these requirements can only be fulfilled if SBA has a workable system ensuring that its field personnel are used in critical decisions regarding the selection and certification of firms, and procurement center representatives are used to locate procurement opportunities.

In addition, because the Army, the leading agency in offering contracts to the 8(a) program, was selected for pilot program participation, GAO believes that the legislative objective of using the pilot to help SBA secure 8(a) procurements has not been fully tested.

The selection and award of the three initial contracts are associated with several problems which could adversely affect the 8(a) firms' ability to discharge their responsibilities. Therefore, an independent evaluation needs to be made to determine the effectiveness of the firms' performance.

RECOMMENDATIONS TO THE ADMINISTRATOR

Before any further contracts are selected and awarded by the pilot program, the Administrator, SBA, should:

--Direct program officials to diligently enforce the pilot program's objective by demanding contracts only when Army is reluctant to offer

them under the regular 8(a) program. Also, these officials should use the pilot program only when a qualified firm is available.

--Direct program officials to make sure that 8(a) firms selected for the pilot program have the capabilities to do the job successfully. SBA should use information on the firm's past performance in delivering on 8(a) contracts.

--Direct program officials to make sure that procurement center representatives have enough information on 8(a) firms' capabilities so that this data can be used to match qualified firms to procurements.

--Ask that the Office of the Inspector General conduct reviews of the three initial pilot contracts to find out how effectively contractors performed.

RECOMMENDATION TO THE CONGRESS

The Congress should amend the authorizing legislation to allow for further testing of the pilot program in an additional Federal agency that has yet to demonstrate its complete support for the 8(a) program.

SBA, ARMY, AND 8(a) FIRMS' COMMENTS AND GAO's EVALUATION

Although SBA said the report unduly criticizes the pilot program, it did not offer any additional data to cause GAO to revise or modify the report. SBA also said it is seeking methods, which it did not identify, to improve the program and provided comments on GAO's recommendations.

In GAO's opinion, SBA's comments did not adequately respond to all the recommendations in the report. For example, although SBA apparently disagreed with GAO's recommendation that the pilot program should be used only when the Army is reluctant to offer a contract under the regular 8(a) program, it did not clearly state how the pilot program should be used with the regular 8(a) program. In addition, the comments did not address SBA's need to know

about the 8(a) firms to which it intends to award pilot contracts. SBA believes its record in selecting pilot contracts is satisfactory. It said it would welcome other agencies' participation in the pilot program.

Army said that GAO did an excellent job of uncovering the facts, analyzing them, and setting them forth in the proper perspective in the report. Furthermore, it said the report reflects a keen understanding of the way SBA administered the pilot program. It also said that the report's central theme realistically presents SBA's inability to properly assess and match an 8(a) firm's capabilities with procurement opportunities.

SBA's and Army's comments pertinent to each chapter and GAO's detailed evaluation are included at the end of the chapters. Their complete comments are included as appendixes III and IV, respectively.

The three firms discussed in the case studies, summarized in appendix I, were given the opportunity to review and comment on the factual material that bears directly on their firms. Two of the three firms responded. GAO scrutinized these comments and reevaluated all evidence obtained from SBA and Army; as a result, GAO did not have to make any substantive changes in developing the final report.

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ABBREVIATIONS

BDE	Business development expense
DOD	Department of Defense
GAO	General Accounting Office
MERADCOM	Mobility Equipment Research and Development Command
PCR	Procurement center representative
ROWPU	Reverse osmosis water purification unit
SBA	Small Business Administration
SOP	Standard operating procedure

CHAPTER 1

INTRODUCTION

Section 8(a) of the Small Business Act, as amended, gives the Small Business Administration (SBA) the authority to enter into procurement contracts with Federal agencies for the purpose of subcontracting to small business. The authority is intended to help socially and economically disadvantaged small businesses achieve a competitive position in the financial marketplace.

Public Law 95-507, dated October 24, 1978, amended section 8(a) to provide, among other things, for creating a special 2-year pilot contracting program between SBA and a Federal agency that was to be d ignated by the President. The Department of the Army was selected as the pilot agency on January 30, 1979. The 8(a) program is administered by SBA's Associate Administrator for Minority Small Business and Capital Ownership Development.

THE DIFFERENCES BETWEEN THE PILOT AND REGULAR 8(a) PROGRAMS

SBA uses section 8(a) authority to obtain contracts from Federal agencies and subcontract them on a noncompetitive basis to 8(a) firms. In the regular 8(a) program, agencies strictly volunteer these contracts. However, in the pilot program, SBA has the exclusive authority under the act to demand procurement requirements for firms.

In the event that SBA and Army disagree over the terms and conditions of a pilot contract, the Secretary of the Army may establish the terms and conditions. SBA must then decide whether to accept them or withdraw its pilot contract request.

It was not until May 16, 1979, that SBA and Army entered into an interagency agreement which formally established the terms and arrangements for implementing the pilot program. Each agency appointed pilot program managers who act as the focal points for planning, coordination, operation, implementation, and resolution of problems within the agencies. These managers are located centrally in the Army's Office of Small and Disadvantaged Business Utilization and in SBA's Office of the Associate Administrator for Minority Small Business and Capital Ownership Development.

Operating procedures for the pilot program were issued to all SBA regional administrators on September 4, 1979. SBA

stated that its overall objective for the pilot program is to seek Federal procurement opportunities which are not currently offered by the Army under the regular 8(a) program.

ACTIVITIES OF THE PROGRAM

Since the interagency agreement, nine contracts totaling about $34.3 million have been awarded under the pilot program. A total of 19 other contracts had been reserved by SBA, and some have progressed to various stages in the contract negotiation process. SBA has withdrawn others. These contracts are listed in appendix II.

Two of the awarded contracts we reviewed received business development expense (BDE) funds. One received BDE funds to pay the difference between the fair market value and the price at which the 8(a) contractor was willing to perform and to purchase capital equipment needed to perform the contract. The other received BDE funds for capital equipment only.

SBA also used funds under section 7(j)(10) of the Small Business Act to hire consultants to provide services to 8(a) firms receiving pilot contracts. As of June 30, 1980, it had obligated a total of $250,458 for services related to the pilot contracts.

Originally, authority for the pilot program was to expire on September 30, 1980. However, Public Law 96-481, passed on October 21, 1980, extended the pilot program an additional year.

OBJECTIVES, SCOPE, AND METHODOLOGY

Public Law 95-507 requires us to evaluate SBA's implementation of the pilot program. Our objectives during the review were to determine

--how effectively SBA and Army have used the pilot program to meet the act's requirements and

--whether SBA has improved its efforts to secure procurements for the 8(a) program.

These objectives were discussed with the staff of the Senate and House small business committees, as well as with SBA and Army headquarters officials prior to our review.

We reviewed SBA's use of the pilot program from its inception through the completion of our field work on May 30, 1980. During this period only three contracts

were awarded under the program. Since the pilot program is administered centrally by SBA, a part of our work was performed at the SBA and Army headquarters offices by reviewing files and records and interviewing all personnel involved in the pilot program. We also reviewed how SBA and Army established the pilot program within their organizations as well as all policy and procedures issued by the agencies.

Our work consisted of a detailed review of the circumstances behind the selection and negotiation of the initial three contracts awarded under the program. We gathered and analyzed all file data from SBA and Army on these contracts. Since contract records were maintained at field locations, we reviewed the contract files at the Army procurement centers and at SBA field locations involved in the negotiations. The firms' 8(a) program files were also reviewed at SBA. To accomplish our objectives, we also interviewed those SBA field officials who were involved with the negotiations and/or the firms' prior participation in the 8(a) program, as well as those Army officials at the installations responsible for the contracts. It was also necessary for us to conduct interviews with the consultants hired by SBA to provide services to the pilot program.

We also visited the 8(a) firms receiving the initial three contracts. While at these firms we interviewed officials about their involvement in the pilot program. We did not review the records of these firms, since our objectives only covered SBA's administration of and Army's participation in the program.

Our work was performed at the SBA central office and the Office of the Secretary of the Army; SBA field offices in San Francisco and Los Angeles, California, and Washington, D.C.; and Army installations at Fort Belvoir, Virginia, and Omaha, Nebraska, which were responsible for negotiating the three contracts.

While our review of the three initial contracts was in process, SBA was locating and in some cases selecting other procurements for the pilot program. We analyzed whatever data was available at the SBA central office and interviewed program officials at SBA and Army headquarters.

Our review also required us to conduct interviews with 10 SBA procurement center representatives (PCRs) designated specifically for the pilot program.

CHAPTER 2

SBA HAS NOT MET ITS OVERALL OBJECTIVE FOR THE PILOT PROGRAM

Our review of the pilot program showed that SBA has not met its overall objective of improving its ability to obtain procurements which were not currently offered by the Army under the regular 8(a) program. We believe that SBA is attempting to make the pilot program look more successful than it is.

Our review of the initial three contracts selected and awarded under the pilot program showed that they could have been handled through the regular 8(a) program. This is also true of many other Army contracts that have been reserved for the pilot.

In addition, our review of the initial three contracts raises doubts that these contracts will contribute to the development of the 8(a) firms that received them.

SBA's OVERALL OBJECTIVE FOR THE PILOT PROGRAM

On September 4, 1979, SBA's Associate Administrator for Minority Small Business and Capital Ownership Development issued operating procedures for the pilot program to all SBA regional administrators. In the operating procedures, SBA stated that its overall objective for the pilot program is to seek procurement opportunities which are not currently offered by the Army under the regular 8(a) program. This objective appears to be consistent with the legislative history of the pilot program, which indicates that the purpose of the pilot is to increase SBA's ability to develop disadvantaged firms.

THE INITIAL THREE PILOT CONTRACTS DO NOT MEET SBA's OVERALL OBJECTIVE

Our review of the initial three contracts selected and awarded under the pilot program showed that they were regular 8(a)-type contracts that could have been handled under the regular 8(a) program. In addition, we question the contribution these contracts will make to the development of the 8(a) firms that received them.

THE FIRST TWO CONTRACTS

The first two pilot program contracts relate to a single procurement--the production of 30 trailer-mounted water

purification units termed "reverse osmosis water purification units" (ROWPUs). Separate contracts were awarded to two 8(a) firms. One contract of about $5 million was awarded to a firm to assemble and test the water purification units and install them on trailers. The other contract of about $1.9 million was awarded to a firm to build the trailers and frames for the units.

Regular 8(a) procurement

The Army contracting officer (in charge of the ROWPU procurement) at the Mobility Equipment Research and Development Command (MERADCOM), Fort Belvoir, Virginia, told us that when the ROWPU procurement was being planned, his office decided to place it in the regular 8(a) program. Both the contracting officer and the chief of the Engineering Division, MERADCOM Energy and Water Resources Laboratory, told us that it is not particularly difficult to manufacture. They said that the Army had submitted other procurements to the regular 8(a) program that were more difficult to manufacture. In addition, they told us that the main reason that the ROWPU procurement ended up in the pilot program was that SBA needed to select and award a contract in the pilot program rather quickly.

Limited development potential for the firms manufacturing the ROWPU units and trailers

The development potential of the ROWPU contracts is mixed. The firm manufacturing the ROWPUs has the opportunity to enter a new and growing industry. Manufacturing ROWPUs, however, is an entirely different field from the firm's traditional line of work, which is manufacturing electronic components. In addition, the firm has been in the 8(a) program for 9 years and has received $4.8 million in 8(a) contracts, yet has failed to make satisfactory progress--mostly due to questionable operating practices. If the firm has failed to progress before, it is questionable whether it will progress now even after receiving the ROWPU contract.

The pilot contract to the firm to manufacture the trailers and frames for the ROWPU units is not consistent with the firm's normal line of business, which is engineering, repairing, installing, and checking out electronic and ordinance systems, principally aboard U.S. Navy vessels. The firm has been very successful in its line of work. In fact, in April 1979 SBA's Los Angeles district office conducted a review of the firm's progress in the 8(a) program and concluded that it had achieved the developmental objective of its business plan and had become as competitive in the marketplace as could reasonably be expected. The firm

manufacturing the trailers and frames had been notified that SBA intends to gradually reduce its 8(a) contractual support through September 30, 1982, at which time the firm will be considered to have reached program completion. Under these circumstances, we question why SBA awarded it a new contract in an entirely different field from its line of business.

THE THIRD CONTRACT

The third contract--for $4 million--was awarded to a joint venture between an 8(a) firm and a non-8(a) firm for installing insulation and storm windows at Fort Leonard Wood, Missouri.

Regular 8(a) procurement

Our review showed that this procurement was originally offered to SBA for the regular 8(a) program--SBA turned it down. Because of lack of communication between SBA's central office, district offices, and the Army, the Army Corps of Engineers proceeded to routinely process this procurement. The Army did not receive SBA's formal request to reserve the procurement until a few days before bid opening. Because the Army was faced with an embarrassing situation of withdrawing the project immediately before bid opening, it was unlikely to comply with SBA's request under the regular 8(a) program. Accordingly, SBA demanded the procurement under the mandatory provisions of the pilot program.

Limited development potential of the Fort Leonard Wood contract

Our review of this contract raises serious questions about its potential to develop the 8(a) firm. The 8(a) firm is a one-man shop with no equipment or trucks. At the time of our review, the firm had failed to perform any work at all on its only previous 8(a) contract, for $70,000, which had been awarded a year before the award of the $4 million Fort Leonard Wood contract.

In addition, our review showed that the non-8(a) firm partner in the joint venture intended, along with a non-8(a) subcontractor, to perform the majority of the work on the Fort Leonard Wood contract.

Further details on the three contracts are discussed in appendix I.

SBA's NEW PILOT PROGRAM CRITERIA

Special requirements for pilot 8(a) firms

On April 3, 1980, SBA's Deputy Associate Administrator for Business Development promulgated criteria that 8(a) firms must meet before they can be selected for pilot program participation. In addition, a selection panel was formed in the central office to evaluate 8(a) firms for possible selection for the pilot program. The entrance requirements are much more stringent than those of the regular 8(a) program. For example, the new pilot criteria require that an 8(a) firm have minimum annual revenues of at least $500,000; 20 or more employees (preferably skilled); a plant; and a previous successful history of performance. Although these criteria were not implemented at the time of our review, we doubt that two of the first three firms receiving pilot program awards would qualify under the new criteria.

In August 1980 we followed up to determine if the new selection panel had acted on any applications. We were told by the SBA pilot program manager that SBA has terminated the panel and now is seeking to have the regional administrators assume the responsibility of the panel.

Special criteria for contracts selected for the pilot program

On April 15, 1980, SBA's Associate Administrator for Minority Small Business and Capital Ownership Development issued a memorandum to all SBA regional administrators listing the characteristics of projects most desired for pilot program procurements. He emphasized that Army projects that have a history of activity under the regular 8(a) program should not be selected for the pilot program. He added that projects traditionally excluded from the 8(a) program but having the following characteristics, should be identified for the pilot program:

--Sophistication/high technology.

--Large dollars.

--Multiyear/follow-on potential.

--Commercial applications.

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MANY NEW PROCUREMENTS IDENTIFIED
DO NOT MEET PILOT PROGRAM OBJECTIVE

In April 1980 SBA embarked on an effort to place as many procurements as possible in the pilot program. Although only three contracts had been signed by April 1980, SBA had identified 38 additional Army procurements for the pilot. Most of these procurements had not been officially requested from Army using the formal notification process spelled out in the interagency agreement.

We believe that SBA, in assembling the list of 38 procurements, tried to make the pilot program look successful rather than to develop disadvantaged firms. Our review of the list showed that many of the 38 procurements were regular 8(a) program procurements arbitrarily picked for the pilot program. 1/ SBA officials in the Office of Minority Small Business and Capital Ownership Development agreed with our analysis that many of these procurements were regular 8(a)-type procurements.

The results of our review were discussed with the Associate Administrator for Minority Small Business and Capital Ownership Development and his staff on June 12, 1980. They had no comments regarding why SBA has chosen a course of action to expand the use of the pilot program in this manner.

ARMY OPINIONS ON THE USEFULNESS
OF THE PILOT PROGRAM

Officials of the Office of Small and Disadvantaged Business Utilization of the Office of the Secretary of the Army told us that the pilot program could prove to be useful if SBA directs its application of the pilot toward identifying only those procurements that offer development opportunities to 8(a) firms. Complicated, high-dollar contracts cannot benefit a firm if it cannot do the work. For example, on February 8, 1980, SBA used the pilot program to request a contract for the production of a high-mobility, multipurpose wheeled vehicle. The contract was projected to be worth about $1 billion. These officials told us that after lengthy deliberations with SBA, SBA's request was denied by Army headquarters since Army was convinced this contract far exceeded the capabilities of the 8(a) firm recommended by SBA. The firm would have been required to change its entire line of business--from engineering consulting to major manufacturing.

1/See chapter 3, pages 14 and 15, for a more detailed discussion of this list of procurements.

The Army officials also said that although SBA's request was denied, Army will use minority firms as participating subcontractors in this major procurement. They view this approach as the most constructive way of meeting Army's needs while offering opportunities for minority firms to enter a new line of manufacturing on a developmental basis.

CONCLUSIONS

SBA's implementation of the pilot program has not improved its ability to obtain procurements which were not currently offered by the Army under the regular program. In addition, our review of the initial three contracts selected and awarded under the pilot program raises doubts that these contracts will contribute to the development of the 8(a) firms that received them.

SBA has developed criteria for pilot procurements and 8(a) firms participating in the pilot program in an effort to upgrade the quality of pilot program contracts. Unfortunately, many procurements identified for the pilot program do not fit these criteria. It appears to us that SBA is trying to make the pilot program look more successful than it really is.

RECOMMENDATION TO THE ADMINISTRATOR

We believe that SBA's intent to use the pilot program to upgrade the quality of procurements available to participants in the 8(a) program is laudable. We recommend that the Administrator, SBA, direct program officials to diligently enforce the objective of the pilot program by demanding contracts only when Army is reluctant to offer them under the regular 8(a) program. Also, these officials should use the program only when a qualified firm is available.

SBA AND ARMY COMMENTS AND OUR EVALUATION

While SBA stated that it did not take issue with our recommendation, its comments did not clearly state how the pilot program should be used with the regular 8(a) program; nor did the comments address SBA's need to use the program only when a qualified firm is available. SBA said it believes that the congressional intent behind the pilot program neither envisions nor requires that it use the program only when it must force action by another agency (the Army). However, this statement appears to conflict with the Associate Administrator for Minority Small Business and Capital Ownership Development's September 4, 1979, operating procedures, which state that SBA's overall

objective for the pilot program is to seek procurement opportunities that are not currently offered by the Army under the regular 8(a) program. SBA believes its record in selecting firms for the pilot program is satisfactory.

Army does not believe that SBA can properly assess and match an 8(a) firm's capabilities with procurement requirements in the pilot program. Army said that it has made repeated attempts to help SBA with this function by seeking lists of firms that SBA intends to support under the pilot program. Even though Army said it would be willing to use its experts to do the analysis and identify procurements so that an orderly development effort can be established for 8(a) firms, it believes this approach can be performed under the purview of the regular 8(a) program.

We continue to believe that the 8(a) pilot program should be used to identify contracts for the 8(a) program only when Army is reluctant to offer them under the regular 8(a) program. Also, the pilot program should be used only when a qualified firm is available.

CHAPTER 3

SBA HAS POORLY ADMINISTERED THE PILOT PROGRAM

Our review of SBA's implementation of the pilot program has shown that:

--SBA did not have enough information at the central office level to properly assess and match 8(a) firms' capabilities with procurement requirements.

--SBA approved the 8(a) firms that received the initial three pilot contracts without adequately assessing their capability to perform. In our opinion, SBA made a poor choice of firms.

--Procurement center representatives have not been effective in identifying pilot projects.

IMPLEMENTATION OF THE PILOT PROGRAM

Implementation of the pilot program has proceeded slowly since the act authorizing it was passed in October 1978. After the Army was designated the pilot agency in January 1979, SBA and the Army took 4 months to formalize an interagency agreement implementing the program. Four months later, in September 1979, or about 1 year after passage of the act, SBA issued guidelines to field officials. It was not until February 1980 that SBA's central office officials met with SBA regional officials and PCRs to discuss program implementation.

While SBA was still developing its guidelines, its central office was already considering three 8(a) contractors for pilot project procurements. The first procurement involved two contracts totaling about $5 million to produce 30 reverse osmosis water purification units, and the second procurement involved a contract valued at about $4 million to install storm windows and insulation for the Army at Fort Leonard Wood, Missouri. As of June 1980, these three contracts were the only projects selected and awarded under the pilot program.

SBA IS SEEKING LARGE-DOLLAR, SOPHISTICATED PROCUREMENTS

When a suitable procurement is identified to its central office, SBA requests that the Army reserve it for the pilot

program and proceeds to screen 8(a) firms to perform it. But questions have arisen about what constitutes a suitable procurement for the pilot program.

The interagency agreement did not specify objectives to be achieved by the pilot program. However, SBA guidelines issued in September 1979 indicated that the program's objective was to seek 8(a) opportunities that had not otherwise been offered or identified by the Army under the existing 8(a) program. The guidelines also indicated that the pilot program was not intended to eliminate the existing 8(a) program. Instead, it was expected that the Army would continue to actively identify and recommend procurements for the existing 8(a) program.

In April 1980 SBA issued further guidelines on the types of procurements that field office officials were supposed to seek for the pilot program. The revised guidelines stated for the first time that large-dollar, sophisticated procurements were most desirable for the pilot program. By stating that SBA was most interested in seeking these types of procurements, these new criteria represented a narrower scope than the program's original scope of seeking all suitable procurements for the 8(a) program that had not otherwise been offered by the Army.

Our review of the first three contracts awarded under the pilot program demonstrated that SBA does not have the capability to assess whether or not 8(a) firms can perform procurements of this type. (See app. I.) After these contracts were awarded, SBA decided to seek large-dollar, sophisticated procurements. However, this approach has subsequently caused problems for SBA in identifying projects for the pilot program.

SBA's CENTRAL OFFICE CANNOT ASSESS 8(a) FIRMS' CAPABILITIES

When the pilot program is used, matching 8(a) firms with procurement requirements is the responsibility of SBA's central office. However, the central office does not have enough information to assess 8(a) firms' capabilities to perform pilot procurements. Therefore, SBA cannot properly match pilot projects with those firms capable of doing the job. Specifically, we found that the central office often lacked information on the procurement's specifications and on the 8(a) firms' capabilities and past performance. We found that SBA does not even maintain records on how well

8(a) firms perform on their contracts, which is an important indication of their capability to perform on future projects. For example, one of the initial pilot contracts was a $4 million project awarded to a one-man firm that had not started work on its first 8(a) project, for $70,000, which had been awarded a year earlier. (See p. 34.)

In another example we found that the central office designated an 8(a) firm to perform an estimated $30 million contract despite the fact that the firm did not have any facilities. We asked the pilot program manager why the firm should receive the contract, but he could not provide justification. He also told us that as yet, no final decision on the award had been made.

Several Army officials questioned SBA's ability to adequately assess 8(a) firms' capabilities. The Small Business and Economic Utilization Advisor at Fort Belvoir said that the Army should have required SBA to certify its responsibility for ensuring that the 8(a) firms have the ability to perform at the time the procurement was initially requested. An Army contract officer at Fort Belvoir said that the Army bears the primary responsibility for assuring itself of 8(a) firms' capability to perform through its preaward surveys. But he said that SBA should develop certain minimum information on each of its 8(a) firms, including the firm's performance on past 8(a) contracts, its prior experience, and the adequacy of its facilities.

SBA's central office recognizes the importance of knowing about the 8(a) firms' capabilities and thus is attempting to acquire the information necessary to assess those capabilities. A February 4, 1980, central office directive instructed the regional offices to nominate the top three 8(a) manufacturing firms in their regions for participation in the pilot program. In addition, the central office requested documents from the regions justifying why each 8(a) firm should participate in the pilot.

In April 1980 the central office also formed a five-member selection panel to approve or disapprove the 8(a) firms nominated for the pilot by the regions. Subsequently, in August 1980 the SBA project manager told us that SBA had discontinued the selection panel and was seeking to have regional administrators assume the responsibility of the panel.

To gain technical expertise to assess project requirements, the central office is hiring consultants under the section 7(j)(10) program to help SBA and the 8(a) firms acquire pilot contracts.

The following are the types of problems that were noted in our review of SBA's selection and negotiation of the three initial pilot contracts.

--An 8(a) firm was awarded a $5 million contract by SBA's central office at the same time it was being recommended for termination by the district office for poor management and unsatisfactory progress in the 8(a) program. Despite the fact that this firm had continuously experienced financial difficulties due to questionable financial practices, SBA agreed to provide $1.2 million in business development funds to support the firm's performance.

--A second firm was awarded a $1.9 million contract, including $273,000 in capital equipment funds, to support a capability that was outside its current line of business.

--The third firm was awarded a $4 million contract (in a joint venture with a non-8(a) firm) even though the district office described the firm as a "one-man firm" that had not started work on its initial 8(a) procurement, awarded a year earlier. The non-8(a) firm and a non-8(a) subcontractor will do most of the work on this contract.

The results of our review were discussed with the Associate Administrator for Minority Small Business and Capital Ownership Development and his staff on June 12, 1980. They had no comments regarding these deficiencies. However, on another occasion, SBA's chief of the Requirements Division, Office of Business Development, said that SBA would closely monitor the progress of the work of the firm that received the $4 million contract. Further details of the three contracts are discussed in appendix I.

PCRs HAVE NOT BEEN EFFECTIVE IN IDENTIFYING PILOT PROJECTS

The interagency agreement provides that PCRs are to be SBA's primary means of identifying and recommending procurements for the pilot program. Since the PCRs are

stationed at major procurement activities, they are closely attuned to the day-to-day activities of Army procurement centers, and SBA considers them to be in the best position to review and identify procurements for the program. They also serve as liaison officials to ensure that small business interests are being met.

Contrary to the policy guidelines of the interagency agreement, however, PCRs have not been effectively used in identifying pilot projects. While SBA and the Army envisioned that the PCRs would play a significant role in identifying Army projects, they have had limited success in identifying pilot projects. Of the 47 pilot projects listed by the SBA central office as of June 20, 1980, only 17 projects had been identified by PCRs.

The following table summarizes how the 47 contracts for the pilot project as of June 1980 were identified.

PCRs	SBA regional offices	SBA central office	8(a) firm	Army	Total
17	a/20	1	8	1	47

a/The 20 projects identified by the regional offices were Army Corps of Engineers construction projects which, in many cases, were offered to SBA's regional offices by the Army.

Our analysis revealed that 12 of the 17 projects identified by PCRs were identified at Fort Monmouth, New Jersey. A PCR at Fort Monmouth told us that most of the projects were identified by a newly hired PCR. He said that all but one of the projects that the new PCR identified were procurements that could have been reserved under the regular 8(a) program. When we brought this to the SBA pilot program manager's attention, he agreed and said that he was recommending to the Army that eight of the pilot projects identified by the PCR be transferred to the regular 8(a) program.

Other than those procurements identified by the Fort Monmouth PCRs, PCRs in other locations have had limited success in identifying pilot procurement opportunities.

To review this problem further, we interviewed 10 PCRs stationed at various major Army procurement centers to determine why they have not identified more procurements. One PCR said that he did not identify any projects for the pilot program because the Army is now more willing to voluntarily offer projects under the regular 8(a) program rather than have SBA request them for the pilot program.

Other reasons PCRs gave for not identifying more pilot projects ranged from the opinion that they do not possess enough knowledge of 8(a) firms and their capabilities to allow them to refer procurements to SBA to the argument that they are too busy with other PCR activities. A number of PCRs said that they were not aware of 8(a) firms that had the capabilities needed to perform procurements. Another PCR said that complying with subcontracting requirements for the regular 8(a) program leaves little time for pilot activities.

SBA's ATTEMPT TO MAKE THE PILOT PROGRAM LOOK MORE SUCCESSFUL THAN IT IS

Our review disclosed that SBA has placed many projects in the pilot that actually belong in the regular 8(a) program. In our opinion, this was done to make the pilot program look more successful than it actually is.

The authorizing legislation and SBA guidelines distinguish a pilot procurement from a regular 8(a) procurement on the basis of whether a procurement is volunteered to or demanded by SBA. SBA guidelines state that when the Army offers a procurement to SBA, it should not be placed in the pilot. According to the guidelines, a procurement should be placed in the pilot only when SBA is compelled to demand it from Army.

For example, in the November 1980 list of 28 pilot program contracts and project reservations (see app. II), 9 are Army Corps of Engineers projects. We were told by the Director of Army's Office of Small and Disadvantaged Business Utilization that, because the Corps of Engineers has a policy of offering their projects to SBA, most of these projects could be in the regular 8(a) program. This policy was also mentioned by the Chief, Procurement and Supply, Corps of Engineers, Omaha, Nebraska.

Another example is the "standard military gasoline engine" procurement. (See app. II, p. 44.) SBA identified it as a pilot project on April 30, 1980, even though the Army identified it for the regular 8(a) program in October 1978.

CONCLUSIONS

SBA has not demonstrated that it has the ability to effectively implement the pilot program. In guiding the program toward seeking large-dollar, sophisticated procurements for its 8(a) firms, SBA has experienced difficulties in identifying pilot projects, assessing 8(a) firms' capabilities, and matching 8(a) firms' capabilities with procurement requirements. More specifically,

--SBA lacks sufficient information on 8(a) firms' capabilities as well as procurement requirements to properly match firms to procurement requirements,

--SBA has awarded multimillion-dollar contracts to its 8(a) firms without internally assessing the firms' capabilities to perform, and

--PCRs have not been effective in identifying pilot projects.

The selection and award of the three initial contracts are associated with several conditions which could adversely affect the 8(a) firms' ability to discharge their responsibilities. Therefore, an independent evaluation would be useful in determining the effectiveness of the firms' performance.

RECOMMENDATIONS TO THE ADMINISTRATOR

Before any further contracts are selected and awarded under the pilot program, the Administrator, SBA, should:

--Direct program officials to make sure that 8(a) firms selected for the pilot program have the capability to successfully do the job. SBA should use information on the firm's past performance in delivering on 8(a) contracts.

--Direct program officials to make sure that procurement center representatives have enough information on 8(a) firms' capabilities so that this data can be used to match qualified firms to procurements.

--Ask the Office of the Inspector General to conduct reviews of the three initial pilot contracts to find out how effectively the contractors performed.

SBA COMMENTS AND OUR EVALUATION

SBA did not adequately respond to two of the three recommendations.

In commenting on our first recommendation, SBA believes its record in the pilot program is satisfactory; however, it will continue to try to improve its efforts. Although we criticized SBA's selection of the first three contracts in the report, SBA said only that it stands behind its decisions on these contracts and that the contractors' performances have been satisfactory. SBA offered no specific comments on the need for program officials to know the capabilities of 8(a) firms selected for the pilot program, especially information on the firms' past performance in delivering on 8(a) contracts. We continue to believe that SBA made a poor choice in awarding the three initial contracts. Program officials need to make sure that 8(a) firms selected for the pilot program have the capability to successfully perform the procurement. A firm's past performance in delivering on 8(a) contracts must also be considered.

With regard to the second recommendation, SBA appears to be saying that it wants to keep a functional role for PCRs in the pilot program, but it does not say whether they should have information on 8(a) firms' capabilities. Moreover, SBA said that the decision to accept a requirement or match a requirement with an 8(a) firm should not be in the hands of the PCR. We continue to believe that in order for the PCR to have an effective role in the pilot program, he or she needs information on 8(a) firms' capabilities in order to know what procurements to seek for the pilot program. As discussed on page 16, PCRs feel that this is a problem in the pilot program and must be corrected.

With regard to the third recommendation, SBA commented that its Office of the Inspector General will review the use of all SBA funds disbursed to the two 8(a) firms involved in the ROWPU contracts. In addition, the Associate Administrator for Minority Small Business and Capital Ownership Development, Office of Program Surveillance and Assistance, will initiate reviews to determine if the three initial pilot contracts were effectively performed by the 8(a) firms involved.

CHAPTER 4

THE PILOT PROGRAM CAN BE MORE FULLY TESTED IN AN ADDITIONAL AGENCY

SBA and Army hold differing opinions on the pilot program's purpose and the most appropriate Federal agency in which to test the program. The legislative history suggests only that the program's purpose is to increase SBA's ability to develop disadvantaged firms. SBA has interpreted this as the opportunity to improve the quality of 8(a) procurements, while Army interprets it as the opportunity to increase the quantity of procurements.

LEGISLATIVE HISTORY

Public Law 95-507 and its legislative history suggest that the pilot program is meant to help SBA increase its ability to develop disadvantaged firms by providing a way to demand 8(a) procurements. The pertinent report of the House of Representatives (H. Rept. 95-949, 1978) stated that reports prepared by us 1/ and others found that one of the reasons that the regular 8(a) program was not as successful as it could be was SBA's inability to control the supply of contracts from Federal agencies. The House attempted to solve this problem by incorporating a provision in the bill that would have allowed SBA to negotiate for any contract requirements it deemed appropriate for program use.

The Senate substitute bill did not contain this provision. The conference version of the joint bill substituted a 2-year trial for the mandatory contracting provision to be applied between SBA and one Federal agency to be chosen by the President.

The conference report stated only that the purpose of the pilot program was to "* * * increase SBA's ability to develop disadvantaged firms * * *."

INTERPRETATIONS OF THE PILOT PROGRAM'S PURPOSE

SBA's interpretation of the purpose of the pilot program is "better procurements." Accordingly, as discussed in

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1/"Questionable Effectiveness of the 8(a) Procurement Program" (GGD-75-57, Apr. 16, 1975) and "Ways To Increase the Number, Type, and Timeliness of 8(a) Procurement Contracts" (CED-78-48, Feb. 1, 1978).

chapter 2, it is attempting to use the pilot program to upgrade the quality of 8(a) procurements. This is reflected in the special criteria issued on April 15, 1980, listing the most desired project characteristics for pilot program procurements. These criteria call for sophisticated, high-technology, large-dollar, multiyear procurements.

In addition, SBA issued special requirements for 8(a) firms nominated to perform these procurements. This action recognized the probability that only relatively strong firms are capable of successfully performing such challenging projects.

Army's interpretation of the pilot program's purpose

On the other hand, Army's interpretation of the pilot program's purpose is "more procurements." Officials of the Office of Small and Disadvantaged Business Utilization, Office of the Secretary of the Army, told us that they believe that the pilot's purpose is to augment the regular 8(a) program by giving SBA the right to demand procurements not previously offered to it. They said that the Army has had a history of cooperating with the regular 8(a) program--Army has had the largest dollar amount of 8(a) contracts of any Federal agency every year since fiscal year 1975. In addition, from fiscal years 1977 through 1979, Army volunteered $640.5 million to the regular 8(a) program that was rejected by SBA. They told us that an agency that has not yet supported the 8(a) program should have been chosen as the pilot agency.

HOW ARMY WAS SELECTED

In November 1978 a small committee consisting of SBA's Associate Administrator for Minority Small Business and Capital Ownership Development and two members of his staff was formed to recommend which Federal agency should participate in the pilot program. This committee assembled information on the various agencies' performances in supplying contracts for the regular 8(a) program. Based on this study, the committee recommended to the Administrator, SBA, on December 15, 1978, that all of the Department of Defense (DOD) be included as pilot participants. The committee's reasons for selecting DOD were:

1. DOD's large volume of 8(a) procurements--56.4 percent of the total of all Federal agencies in fiscal year 1978. (The largest civilian agency--General Services Administration--had 7.9 percent.)

2. DOD's wide variety of procurements, which allows a wide variety of 8(a) firms to participate.

3. DOD's decentralized procurements, which allows 8(a) firms all over the Nation to participate.

The SBA Administrator approved the recommendation and forwarded it to the President's Assistant for Domestic Affairs and Policy. The Office of Domestic Affairs and Policy acted as coordinator between SBA and DOD. After several discussions, all three organizations mutually decided that having all of DOD in the pilot program was too unwieldy. They decided that Army, which has the largest volume of 8(a) procurements of any single Federal agency, was the most logical choice. In addition, Army itself has a wide variety of procurements which are decentralized.

It should be noted that in selecting Army as the pilot agency, the present SBA and Army interpretations of the pilot program's purpose--better or more procurements, respectively--were not considered. Instead, the major reason for selecting Army seemed to be its history of cooperation with the 8(a) program.

Other Federal agencies considered for the pilot program

The SBA committee did not seriously consider any alternatives to DOD. However, several other officials did express their opinions.

SBA's Acting Associate Administrator for Procurement Assistance submitted his choices for the best agencies to participate in the pilot program to the Administrator of SBA in December 1978. He recommended three agencies, ranked in this order: Veterans Administration, Department of the Interior, and the General Services Administration. He gave the following reasons:

1. Each of the three agencies has a wide variety of procurements which would allow a wide variety of 8(a) firms to participate.

2. The centralized location of the agencies' procurement functions would allow SBA to maintain control over the pilot program.

3. The relatively low dollar amounts and technology of the procurements would make it easy for 8(a) firms to participate.

The Deputy Associate Administrator of the Office of Federal Procurement Policy, Office of Management and Budget, made an unsolicited recommendation to the President's Assistant for Domestic Affairs and Policy. He recommended the National Aeronautics and Space Administration because it has been an enthusiastic supporter of the 8(a) program.

WAS THE ARMY THE BEST AGENCY FOR THE PILOT PROGRAM?

We have noted the differences of opinion between SBA and Army over Army's selection as the pilot agency. In addition, we noted that the major reason for Army's selection seemed to be its history of cooperation in offering procurements to the regular 8(a) program. The question remains--was the Army the best agency?

It appears that Army can offer enough procurements of a sophisticated, high-technology, large-dollar, multiyear nature to test this aspect of the pilot program's purpose. In addition, the Army's Office of Small and Disadvantaged Business Utilization has expressed its interest in helping SBA to identify procurements that offer development opportunities to 8(a) firms.

However, we believe that another aspect of the pilot program needs to be tested further. This is its ability to help SBA secure more procurements from an agency that has been reluctant to volunteer procurements to the regular 8(a) program. This would require that the authorizing legislation be amended to allow an additional pilot agency to be selected.

CONCLUSION

Because the Army--a cooperative agency--was selected to participate in the pilot program, we believe that the legislative objective to use the pilot to help SBA secure more 8(a) procurements has not been fully tested. The selection of another agency with a history of not being conscientious in volunteering 8(a) procurements would fully test this legislative objective.

RECOMMENDATION TO THE CONGRESS

The Congress should amend the authorizing legislation to allow for the further testing of the pilot program in an additional Federal agency that has yet to demonstrate its complete support for the 8(a) program.

SBA AND ARMY COMMENTS
AND OUR EVALUATION

With regard to our recommendation to the Congress, SBA commented that while other agencies' participation in the pilot program would be welcomed, it believes that it is important for the Army to continue in the program. SBA stated that the Army needs to emphasize manufacturing-type procurements instead of the nonprofessional service requirements it offered to the 8(a) program in the past. However, as we noted in chapter 2, the Army has previously submitted other procurements to the regular 8(a) program more difficult to manufacture than the ROWPU procurement.

The Army stated that it fully supports our position that the pilot program should be further tested in an agency that has not yet demonstrated its complete support for the 8(a) program. However, Army stated further that it should be dropped from the pilot program. It commented on the excessively high administrative costs Army has sustained in dealing with the pilot program. For example, during the past year, 75 percent of all professional staff time in the Office of Small and Disadvantaged Business Utilization has been devoted to the pilot program. Yet, this has resulted in only $19.3 million in pilot program contracts in fiscal year 1980 versus $273.4 million in regular 8(a) program contracts for the same period. It should be noted that Public Law 96-481, passed on October 21, 1980, extends the Army's participation in the pilot program until September 30, 1981.

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CASE SUMMARIES ON THE THREE INITIAL PILOT CONTRACTS

The following cases demonstrate SBA's problems in selecting and awarding the three initial contracts selected in the pilot program. They also demonstrate other problems and issues relating to the regular 8(a) program. We found that SBA awarded the first three 8(a) pilot project contracts to firms without adequately assessing their capability to do the job.

CASE SUMMARY ON CONTRACTS 1 and 2-- THE ROWPU PROCUREMENT

The first procurement awarded under the pilot program was for the production of 30 trailer-mounted reverse osmosis water purification units. Separate contracts were awarded to two 8(a) firms. One contract of about $5 million was awarded to a firm (hereinafter referred to as the first firm) to assemble and test the water purification units and install them on trailers. The firm, initially owned by two partners--one disadvantaged and one nondisadvantaged--was accepted into the 8(a) program in November 1970. Later, the two partners incorporated the business, and in 1978 the disadvantaged owner subsequently acquired complete ownership.

The other contract of about $1.9 million was awarded to a firm (hereinafter referred to as the second firm) to build trailers and frames upon which the unit would be installed. This firm entered the 8(a) program in December 1973 and was incorporated in 1974.

The first firm identifies the ROWPU procurement

The president of the first firm took the initiative in seeking this procurement after learning from a 1977 Army document that Army intended to procure ROWPUs. The firm's normal business was manufacturing and assembling electrical and electronic products, but the firm's president realized that this procurement offered an opportunity to enter a new, growing industry. Through his own marketing efforts, and with the support of the National Association of Black Manufacturers, he was able to convince the SBA central office to reserve the procurement from Army as the initial contract selected under the pilot program.

SBA certifies capability without an internal assessment

At the time SBA selected the ROWPU procurement for the pilot project, it assured the Army that the two firms had the capability to do the job. As required by Army procurement regulations, SBA also submitted a letter to the Army certifying that SBA was competent to perform the ROWPU procurement.

However, we found that while SBA gave assurances that both firms had the capability to perform the procurement, it did not actually assess the two firms' capabilities or the amount of help the firms would need to meet the terms of the procurement. Instead, SBA relied upon the Army's assessment of the firms' capabilities.

An Army inspection team conducted preaward surveys at the two firms' facilities. We found, however, that these surveys were intended only to determine whether the two firms possessed needed management and technical expertise. The surveys did not assess the adequacy of the two firms' facilities, since it was the Army's understanding that SBA would provide funds to help both 8(a) firms acquire needed facilities and equipment.

The Army's inspection team concluded that both firms had the management and technical expertise to produce the ROWPUs. Since the second firm had some metal fabrication capabilities, the team recommended that this firm be awarded a contract to make the trailers and ROWPU frames. Since the first firm did not have a metal fabrication capability, the team recommended that it be awarded a contract to assemble the ROWPUs and install them on the trailers.

Several Army officials questioned the ability of SBA to adequately assess 8(a) firms' capabilities. The Small Business and Economic Utilization Advisor at Fort Belvoir said that the Army should have required SBA to certify its responsibility for ensuring that the 8(a) firms have the ability to perform at the time the procurement was initially requested. Another Army official said that SBA subcontracts procurements to 8(a) firms but does not have the responsibility of ensuring that the procurement requirements are satisfied. Thus, the official said, if 8(a) firms default or fail to perform adequately, the Army loses--not SBA.

An Army contract officer at Fort Belvoir said that the Army bears the primary responsibility for assuring

itself of 8(a) firms' capability to perform through its preaward surveys. But he said that SBA should develop certain minimum information on each of its 8(a) firms, including the firm's performance on past 8(a) contracts, its prior experience, and the adequacy of its facilities.

SBA central office does not have sufficient information on its 8(a) contractors

Although the SBA central office assured the Army that the two firms had the capability of meeting the terms of the procurement, several SBA field office officials questioned the first firm's capability because of their knowledge of the firm's poor performance in the past.

The Los Angeles district office was not involved in the selection of the firms for the ROWPU pilot project. However, a contract negotiator in that office expressed reservations to SBA central office officials about the firm's capability to perform the tasks called for in the procurement. His reservations were based on his knowledge of the firm's poor performance on past contracts, its poor financial condition due to questionable financial practices, and its lack of adequate facilities and resources to support the new operation.

The Assistant Regional Administrator for Minority Small Business and Capital Ownership Development in region IX agreed with this criticism of the firm. He said the firm was selected for the ROWPU procurement more as a result of its marketing effort than on its prior 8(a) performance. He also said that if the decision had been up to him, he would not have recommended the firm for the procurement based on his knowledge of the company and its past performance on 8(a) contracts.

District office proposes termination of the first firm for unsatisfactory progress

At about the same time that SBA was processing the contract, the Assistant Regional Administrator in region IX who oversees the firm's progress was endorsing the district office's recommendation that the firm be terminated from the 8(a) program. The firm's unsatisfactory performance, its history of nonprofitability, and its negative retained earnings and diminished net worth due to questionable financial transactions were factors in the district office's recommendation. Further SBA district office analysis revealed that:

--While annual sales increased substantially from 1973 to 1978, the firm has consistently sustained large operating losses.

--The partners paid themselves large salaries and supplemented their salaries through rental fees charged to the firm for fixed assets they owned.

--Since 1973 the firm recorded a small profit only once.

--When the disadvantaged owner acquired the firm from the nondisadvantaged co-owner in 1978, an agreement allowed the latter to retain ownership of the building and to receive $30,000 a year in rental fees. The agreement also gave him a minimum of $36,000 a year in consulting fees for 3 years plus certain other employee benefits, including health and life insurance and a new car with insurance, repairs, maintenance, and fuel costs paid by the firm.

--The disadvantaged owner acquired equipment previously held in joint ownership with the nondisadvantaged co-owner. Rental fees for equipment used by the firm were then charged to the firm at $40,152 per year even though both the equipment and building were previously rented for this total fee. The firm also agreed to pay the taxes on the property.

--Besides receiving bonuses in 1977, both partners were granted direct loans. In 1978 a bonus compensation was granted that canceled the direct loans to the partners.

Because of the firm's unsatisfactory progress in its 9 years in the 8(a) program and its questionable operating practices, the Los Angeles district office recommended the firm's termination from the program. In April 1980 the region IX Administrator, however, rejected this recommendation and instead accepted the firm's response to SBA's termination inquiry and sent a letter to the SBA central office defending the firm's viability. But the Regional Administrator did not respond to the questionable financial practices cited in the district office's assessment. No further investigation was conducted by the regional office or by the SBA central office.

SBA's use of BDE was not an incentive to negotiate earnestly

As part of the contract between SBA and the first firm, SBA is providing it with about $1.2 million in business development expense funds to meet the price difference between the Army's estimated fair market price (about $3.8 million) and the firm's final negotiated price (about $5 million). Included in this amount of BDE funding is about $323,000 calculated by the firm as the cost to obtain the equipment and facilities it needed to go into production. This approval was granted by the Director, Office of Business Development, since it substantially exceeded SBA's $350,000 ceiling, which regional administrators can approve. The Assistant Regional Administrator for Minority Small Business for region IX said that providing BDE funds to the firm was prearranged at the SBA central office in order to ensure the consummation of this initial pilot program award.

Our assessment of the negotiation process, however, indicated that SBA's agreement to provide BDE funds was not an incentive for the negotiators to come to terms. Instead, our review indicates that the prospect of SBA providing BDE funds probably encouraged the firm and the Army to avoid reaching a mutually agreed-upon price. Also, SBA did not determine what BDE savings would have resulted had the second firm been selected to produce the ROWPUs.

At the start of the negotiation process, the first firm's initial proposal was almost twice the amount proposed by Army. The firm's proposal was for $6.5 million; Army's was for $3.8 million. The $2.7 million difference was attributed to the firm's expectation of a production effort far in excess of Army's scope of work. Even after SBA advised the firm to negotiate the contract price in accordance with the scope of work defined by the Army, the firm's and the Army's revised proposals still reflected a difference of about $2.3 million.

In the final negotiation session, the Army and the firm could not agree upon a compromise figure for indirect costs. The negotiations proceeded to a bottom-line price proposal when the Army concluded that the firm was not concerned about the reasonableness of individual cost elements. At the close of negotiations with the Army, the firm's offered price was $5,193,988.50.

At the conclusion of negotiations, the SBA contract negotiator recorded the firm president's closing statement that "the two positions left the issue up to SBA to make up any difference, as was stated at the commencement of negotiations."

SBA's contract negotiator declined to recommend approval of the award

SBA's contract negotiator declined to recommend approval of the award to the first firm for the following reasons:

--The SBA central office accepted the firm's proposed 12-percent fixed fee (profit) above the base cost of the contract instead of the 9 percent that the SBA contract negotiator recommended.

--The $323,000 in BDE funds for capital equipment and leasehold improvements was approved by the SBA central office without the proper justification and documentation.

--The SBA central office granted the firm a $2 million advance payment to support its performance even though the contract negotiator advised against doing so.

Twelve-percent fee not recommended

The 12-percent fixed fee that the SBA central office approved for the firm was not recommended by the section 7(j)(10) technical consultant, the contract negotiator, or the district office. Instead, they supported the technical consultant's analysis that a fixed-fee incentive contract offered the best possible alternative. The technical consultant's proposal provided for the firm to receive a 9-percent fixed fee above the base cost of the contract, plus 30 to 40 percent of all additional cost savings. The consultant's support for this fee proposal was based on:

--His estimates that about $580,000 in potential cost savings could be realized by the firm with SBA sharing in these savings and thus reducing BDE costs.

--The incentive fee provision that would allow SBA to gain full auditing capability and maximum price advantage for follow-on orders.

--Incomplete and inconclusive supporting data from the firm's proposal attributed to the large differences in labor hours and rates between the Army's estimates and the firm's proposal.

--The lack of historical data on prior ROWPU purchases, which precludes price analyses that could provide a realistic pricing standard.

The fixed-price incentive contract, however, was not accepted by the SBA central office. Instead, the central office allowed the firm its 12-percent profit.

The first firm's request for BDE not adequately supported

The SBA central office approved $323,000 in BDE funds requested in the firm's proposal for purchasing capital equipment and for leasing facilities. The SBA contract negotiator and the technical consultant, however, criticized the approval of these funds because they felt such a large amount lacked adequate justification. The technical consultant felt that the need for such a large amount of BDE funding reflected poorly on the firm's capability to properly plan and procure facilities and equipment to support its ROWPU business objectives.

The technical consultant's cost estimate for acquiring needed facilities and equipment came to $191,000. The consultant suggested a BDE grant of $220,000. He suggested that the firm could reduce the amount of BDE funds needed by purchasing used equipment, avoiding excessive investments in hand tools, deferring lease deposits, and obtaining quantity discounts on furniture and other equipment.

The Assistant Regional Administrator for Minority Small Business for region IX told us that the $323,000 in BDE funding finally appropriated at the SBA central office had been promised to the firm by the Director, Office of Business Development. The contract negotiator expressed dissatisfaction with the contract and with the amount of BDE funds SBA agreed to provide. He indicated that he did not believe that either the procurement or the BDE funding allowance would contribute to the firm's ultimate viability.

Advance payment of funds not recommended

The SBA contract negotiator also disagreed with the SBA central office's approval of the $2 million advance payment requested by the firm to support initial financial requirements. He recommended against an advance payment to the firm because of the SBA district finance division's assessment of the firm's financial status, which concluded that the firm's use of advance payments would not be in the best interest of the Government since it was unlikely that the firm could repay it. The basis for this assessment was the firm's insolvency, represented by a debt-to-net-worth ratio of 49.4 to 1, and pending litigation that could adversely affect the firm's viability.

Questions about SBA's selection of the second firm to build the ROWPU trailers

The $1.9 million pilot award to the second firm to build 30 flatbed trailers and frames for the ROWPUs does not appear to be consistent with the firm's traditional line of business. While the long-term plan was eventually to allow the firm the opportunity to build the whole ROWPU, it is our opinion that the building of the trailers themselves is not considered to be the most important aspect of the production effort and does not seem to be in the best interests of the second firm. In addition, other 8(a) firms which already possessed the capability to build these trailers could have been considered for the contract instead of the second firm.

Background

The second firm's traditional line of business is engineering, repairing, installing, and checking out electronic and ordinance systems, principally aboard U.S. Navy vessels. The firm has contracted almost exclusively with the Navy. Since the firm's inception, it has grown rapidly until its annual sales approached several million dollars in fiscal year 1979. The company employs approximately 200 employees at work facilities in San Diego, California, and Norfolk, Virginia. The firm's administrative staff is located in Los Angeles, California, and in Arlington, Virginia.

The selection of the second firm

SBA's selection of the firm to build the 30 trailers was based upon the Army's preaward survey. The Army's assessment found that the first firm was not capable of building the trailers, but it was capable of assembling the ROWPUs on

the trailers. The Army found that the second firm was capable of building the trailers and assembling the ROWPUs. In an effort to "please everybody," the Army suggested a compromise wherein the second firm was to build the trailers and ship them to the first firm which would then assemble the ROWPUs on them.

The president of the second firm, however, expressed his dissatisfaction with splitting the ROWPU procurement in such a manner. He felt it would be more appropriate to split the fabrication of the complete units between the firms rather than have his firm build the trailers and the first firm assemble the components into a final product. According to SBA's technical consultant, the second firm believed the division of effort with the first firm was ill conceived because:

--The second firm would be confined to assembling trailers, a job that requires metalworking capabilities not within its current line of business.

--SBA would have to provide BDE funding ($273,000) for capital assets that are not particularly relevant to the firm's current field service contracts with the Navy. 1/

--The second firm's ability to gain this contract requires that the first firm's bid be acceptable.

--Any follow-on awards are dependent on the first firm's successful performance, making the second firm doubly dependent on the first.

The second firm's president further stated that by fabricating the trailers alone, his firm would not gain the necessary experience and expertise in manufacturing processes needed to produce the complete ROWPU system. The Assistant Regional Administrator for Procurement Assistance in San Francisco

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1/Officials in Army's Office of Small and Disadvantaged Business Utilization told us on October 31, 1980, that SBA recently selected the first firm to produce 11 additional ROWPUs and trailers. They pointed out that SBA is apparently willing to spend additional BDE funds to equip the first firm to build trailers and that SBA wasted the BDE funds it used to equip the second firm to build trailers.

supported his position and requested that the region be authorized to negotiate the requirement to allow both firms to provide complete systems. However, this proposal was not accepted by the SBA central office.

Other 8(a) firms capable of fabricating the trailers were not considered

The SBA central office did not consider other 8(a) firms for the procurement before it awarded the second firm the contract and approved $273,000 in BDE funding for capital equipment. SBA's records show, however, that there were 14 other 8(a) firms whose regular business is supplying fabricated metal products. One procurement center representative commented that he knew several 8(a) firms that were capable of building the trailers for which BDE funding would not have been required, or at least not to the extent that was required for the second firm. We question whether the firm should have been awarded a contract to build trailers when other 8(a) firms already had this capability.

The second firm's program completion proposed by SBA

In April 1979 the Los Angeles district office conducted a review of the second firm's progress in the 8(a) program. The district office concluded that the firm "* * * has substantially achieved the developmental objectives of the approved business plan, and [that] it has effectively achieved as competitive a position in the market place as can reasonably be expected."

On July 16, 1979, the district office notified the firm of its plan to gradually reduce its 8(a) contractual support through September 30, 1982. At that date, the district office indicated, the firm will be considered to have reached program completion. SBA took this action because of its determination that the firm has substantially achieved its approved business development objectives and attained the ability to compete in the marketplace without 8(a) program assistance.

CASE SUMMARY ON CONTRACT 3--STORM WINDOWS AND INSULATION PROCUREMENT

An 8(a) firm (hereinafter referred to as the XYZ Company), specializing primarily in window installation, received the third contract awarded through the pilot program. SBA's central office approved and qualified XYZ to perform on a complicated $4 million project without assessing the firm's capability.

Background

The XYZ Company, located in Washington, D.C., applied for eligibility in the SBA 8(a) program in 1978. The application was approved on July 5, 1978, with a projected assistance--if contracts were available--of $2,000,000 for the first and second years, $1,500,000 for the third year, and $500,000 for the final year. SBA advised the firm to pursue commercial and competitive business contracts on its own in accordance with the firm's business plan.

XYZ's initial experience in the 8(a) program

The president of XYZ has self-marketed his firm from the beginning of its certification into the 8(a) program. On July 13, 1978, he bypassed SBA by submitting a direct request to the Department of Commerce to set aside a procurement for the installation of windows at the Merchant Marine Academy in New York under the 8(a) program. In addition, he wrote the Chairman of the House Subcommittee on Minority Enterprise and General Oversight, Committee on Small Business, requesting the chairman to contact the Secretary of Commerce and the SBA Administrator on his behalf. The Commerce Department refused his request to be treated as a separate prime contractor only for the installation of windows on the project. It would have allowed him as a subcontractor--he refused.

In the fall of 1978, XYZ's president unsuccessfully sought to obtain a contract to replace windows at the Veterans Administration Center in Wilmington, Delaware. He again wrote the Chairman of the House Subcommittee on Minority Enterprise and General Oversight complaining of unfair treatment. In the spring of 1979, XYZ finally received a $70,000 contract to install windows at the Veterans Administration Medical Center, Fort Howard, Maryland.

XYZ's introduction to the pilot program

SBA's region III sent a request to the other regions for any requirements for storm window installation. The chief of the Requirements Division, Office of Business Development, SBA central office, told us that the request was sent in an effort to quiet XYZ's president down and to forestall him from sending more letters to the Congress. He said that "in this business, noisy, vociferous people always get the attention."

Region VII sent a reply dated March 27, 1979, that described a $5.8 million Army project for upgrading insulation and storm window installation at Fort Leonard Wood, Missouri. However, this reply was sent to SBA's central office--not region III. Unfortunately, region VII also told the Army Corps of Engineers' Omaha district office, which was in charge of the project, that SBA was not interested in reserving the project for the 8(a) program because there were no 8(a) firms in its district portfolio capable of handling the project. In addition, SBA's subsequent request to Army to reserve the project for XYZ was sent to Fort Leonard Wood, which was unfamiliar with the project, instead of the Corps' Omaha district office.

Because of the general lack of communication between SBA's central office, SBA region III, and the Army, the Army Corps of Engineers proceeded with processing the Fort Leonard Wood procurement in its normal manner. First the Army advertised the project as a small business set-aside. Three bids were received on May 31, 1979. Two bids were too high and the third was not responsive to the invitation.

The Corps of Engineers readvertised the project for general bidding with bid opening scheduled for August 8, 1979. On July 25, 1979, the Army finally received SBA's formal request to reserve the project for the 8(a) program. Because the Army, having already advertised for bids, was unlikely to comply with such a request under the regular 8(a) program, SBA cited the mandatory provisions of the pilot program.

XYZ's negotiations for the Fort Leonard Wood contract

The Army withdrew the Fort Leonard Wood project from competitive bidding and issued project plans and specifications to SBA's central office on August 20, 1979. It also

gave SBA a timetable calling for a proposal from XYZ to be delivered to the Army by September 25, 1979. Formal negotiations were to start November 5, 1979.

The Army, as expected, received several complaints from firms that had planned to bid on the project and had spent considerable funds drawing up their bid proposals. The Army cited the provisions of Public Law 95-507, section 8(a)(1)(B)--the pilot program--and apologized. The Comptroller General of the United States also denied a formal bid protest.

XYZ's joint venture

Because XYZ itself did not have the capability to complete the substantial work required on the Fort Leonard Wood project, it proposed a joint venture with a non-disadvantaged firm, hereinafter referred to as ABC, Inc. On September 19, 1979, the presidents of both firms visited the Corps' Omaha district office to discuss the project. It soon became apparent to Army officials that XYZ had not received some of the proposal package from SBA nor any assistance on how to prepare a proposal of this magnitude. The Army attempted to help XYZ, but by then it was too late to prepare an adequate proposal by the September 25 deadline.

During October 1979 the Army contacted SBA on three separate occasions urging SBA to support XYZ and to ask about preparations for contract negotiations. It is apparent that SBA was doing almost nothing to help XYZ and actually did not intend even to send a representative to the negotiations (until Army requested it to do so).

First contract negotiation session

The first negotiation session was held November 7, 1979--it was inconclusive. During the session it became apparent that ABC, Inc., was not the proper choice for a joint venture--it had no experience in the type of work called for by the project. In addition, the price demanded by the XYZ-ABC joint venture was far in excess of the Army's estimate. A second session was scheduled for November 14 and 15.

On November 13, 1979, SBA's pilot program manager notified Army that SBA had hired a management consultant to analyze XYZ's proposal and the Army's estimate and attempt to resolve the differences. He requested an extension of the negotiation date.

Questions raised about XYZ's capability

During the last weeks in November, several important things occurred. The management consultant filed a report with SBA stating that XYZ was not capable of performing the work called for on the project. In addition, the chief of the Contracts Division of SBA's Washington district office, wrote the pilot program manager notifying him that, although XYZ had collected $39,863.09 in advance payments on its $70,000 contract at Fort Howard, Maryland, it had not done any work at all. (XYZ finally started work on this project in May 1980.) She questioned the responsibility of XYZ's president as a contractor, citing his lack of performance on the Fort Howard contract and the fact that XYZ is a one-man shop with no equipment or trucks. She wondered if the Fort Howard advance payment could even be repaid. These concerns were expressed in spite of the fact that on August 6, 1979, SBA's Director of the Office of Business Development certified that XYZ was capable of performing the work called for on the Fort Leonard Wood project.

Also during the end of November 1979, XYZ dropped ABC and selected a firm we will refer to as DEF, Inc., for the joint venture. DEF--like ABC, a nondisadvantaged firm--had previously been preparing to bid on the project when it was advertised for general bidding and was already working on a similar project at Fort Leonard Wood.

In addition, the Army Corps of Engineers sent two letters to SBA in the latter part of November pleading for SBA to give support to XYZ and to get ready to resume negotiations. One of the letters threatened to withdraw the project.

Second negotiation session

Negotiations were resumed on December 4, 1979, and an agreement was reached. On December 20, 1979, Army awarded the prime contract.

Joint venture agreement and contract signing

During the period November 29, 1979, to February 29, 1980, XYZ and DEF endeavored to develop a joint venture agreement that would satisfy SBA. The first draft was completed November 29, 1979; however, it was not until February 29, 1980, that SBA approved the final joint venture agreement. Meanwhile, on February 6, 1980, after receiving no response to inquiries on the status of the contract, Army again threatened to withdraw the project.

On March 3, 1980, SBA awarded the subcontract between XYZ-DEF and SBA. The Notice to Proceed was issued March 18, 1980.

Who's doing what

SBA's standard operating procedures (SOPs) for joint venture agreements between 8(a) firms and other concerns performing on 8(a) subcontracts state that "The 8(a) concern shall perform at a minimum the following percentage of the total dollar amount of any subcontract with its own labor force:

(a) Manufacturing	50 percent
(b) Construction	15 percent
(1) General Contractor	15 percent
(2) Specialty crafts, such as Electrical, Plumbing, Mechanical, etc.	25 percent
(c) Professional Services	55 percent
(d) Non-Professional Services	95 percent."

In addition, the SOP states that "The 8(a) concern shall appoint one of its employees as project manager responsible for contract performance."

The Fort Leonard Wood project has several parts. The following is a list of these parts and the firm responsible for performing the work on each part.

--Manufacture windows--DEF Products (a subsidiary of DEF, Inc.).
--Install windows--XYZ-DEF joint venture.
--Install insulation--subcontracted to a non-disadvantaged insulation firm.
--Manufacture siding--purchased from a supplier.
--Install siding--DEF, Inc.

In addition, the project manager designated by XYZ's president was previously an employee of DEF, Inc.

We discussed the above with SBA's Chief of the Requirements Division, Office of Business Development. We also discussed the November 30, 1979, SBA Washington district office memo to the pilot program manager describing XYZ as a one-man operation and questioning the firm's responsibility as a contractor since no work had been performed on its other 8(a) contract. The central office official expressed shock and surprise at these revelations and said that XYZ should not have received the Fort Leonard Wood contract. This official could not provide the actual percentage of work that the 8(a) firm would be responsible for performing, but he said SBA would be closely monitoring the progress of this work. He said that the XYZ contract is an example of the consequences of SBA quickly approving a firm for the pilot program because of the political pressure on SBA to get more minority contracts.

FUTURE JOINT VENTURES BETWEEN 8(a) FIRMS AND NONDISADVANTAGED FIRMS DECLARED ILLEGAL

On May 14, 1980, SBA's General Counsel notified the Office of Business Development that joint ventures between 8(a) firms and nondisadvantaged firms, such as the XYZ-DEF joint venture, are illegal under Public Law 95-507. Accordingly, the Director of the Office of Business Development told us that while joint ventures such as XYZ-DEF will be allowed to complete their contracts, no new joint ventures will be allowed between 8(a) firms and nondisadvantaged firms. SBA is changing its SOPs to forbid these types of joint ventures.

COMMENTS BY THE 8(a) FIRMS

The three firms discussed in these case studies were given the opportunity to review and comment on the factual material that bears directly on their firms. Two of the three firms responded.

In summary, one firm offered additional information which it thought GAO did not have. The other firm also offered additional information it thought GAO did not have; offered information which contradicted information contained in this report which is from official SBA and Army records; and provided reasons and justifications for its actions and

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gave opinions. GAO scrutinized these comments and reevaluated all evidence obtained from SBA and Army; as a result, GAO did not have to make any substantive changes in developing the final report.

CONTRACTS SELECTED BY SBA FOR THE PILOT PROGRAM AS OF NOVEMBER 4, 1980

Pilot project	Estimated value (000 omitted)	Army procurement activity	Procurement identified by	Date reserved (note a)	Status as of 11/4/80
Water purification unit, reverse osmosis (ROWPU) (30 ea)	$3,825 (note b)	Mobility Equipment Research and Development Command (MERADCOM)	8(a) firm	3/15/79 3/19/79	Contract awarded by Army to SBA on 1/31/80; SBA awarded contract to 8(a) firm on 2/22/80
Trailer, flatbeds (for ROWPU) (30 ea)	1,600 (note c)	MERADCOM	SBA	3/15/79 3/19/79	Contract awarded to SBA 9/28/79; SBA awarded contract to 8(a) firm on 9/28/79
Insulation & installation of storm windows at Ft. Leonard Wood, MO	4,100	Omaha District Corps of Engineers (COE)	(note d)	7/20/79 7/24/79	Contract awarded to SBA 12/20/79; awarded by SBA to 8(a) firm on 3/3/80
High frequency radio network up-grade	3,750	Communications and Electronics Material Readiness Command (CERCOM)	SBA	5/09/80 5/12/80	Contract awarded to SBA 7/22/80

APPENDIX II

Pilot project	Estimated value (000 omitted)	Army procurement activity	Procurement identified by	Date reserved (note a)	Status as of 11/4/80
AN/PPS-15 doppler radar set	1,600	Electronics Research and Development Command (ERADCOM)	8(a) firm	7/16/79 7/19/79	Contract awarded to SBA 9/29/80
Water purification unit (ROWPU--11 units complete)	950	MERADCOM	8(a) firm	1/16/80 1/16/80	Contract awarded to SBA 9/30/80 (note e)
Operation and maintenance of ground-air coordination equipment for maneuvering troops, tanks, and helicopters	8,854 (1st year--multiyear)	Experimental Development Command (EDEC) Ft. Ord, CA	8(a) firm	1/28/80 1/29/80	Contract awarded to SBA 10/14/80
Cargo Trailers (1-1/2 ton)	8,800	Tank Automotive Material Readiness Command (TARCOM)	SBA-PCR	5/21/80 5/21/80	Contract awarded to SBA 9/29/80
Validation and verification for general support rocket system	818	Missle Command (MICOM)	8(a) firm	5/21/80 5/21/80	Contract awarded to SBA 10/15/80
Liquid waste disposal, Rocky Mountain Arsenal	6,500	Omaha District COE	8(a) firm	10/02/79 1/28/80 1/29/80	Being negotiated
Construct commissary store, Ft. Ben. Harrison	5,000	Omaha District COE	SBA	10/02/79 1/28/80 1/29/80	Project deferred to FY81 because of lack of FY80 funds

APPENDIX II

Pilot project	Estimated value (000 omitted)	Army procurement activity	Procurement identified by	Date reserved (note a)	Status as of 11/4/80
Addition and alterations on library, USAF Academy, CO	4,000	Omaha District COE	8(a) firm	10/02/79 1/28/80 1/29/80	Project deferred because of lack of FY80 funds
High mobility multi-purpose wheeled vehicle	Undetermined	Tank Automotive Research and Development Command (TARADCOM)	8(a) firm	2/08/80 2/25/80	Request denied by Army--SBA withdrew the reservation on 9/17/80 (See p. 8.)
Division level data entry device (DLDED)	110,000 (multiyear)	Communication Research and Development Command (CORADCOM)	8(a) firm	12/19/79 1/10/80	Being negotiated
Modular tactical communication center of the Tri-Tac family of modular record traffic	Undetermined	CORADCOM	8(a) firm	12/19/79 1/10/80	On 2/6/80 SBA withdrew its request
Construction of flight line laboratory at Wright-Paterson AFB, OH	8,000	Baltimore District COE	SBA, Chicago regional office	2/20/80 2/26/80	Project deferred until FY81 because of lack of FY80 funds

APPENDIX II

Pilot project	Estimated value (000 omitted)	Army procurement activity	Procurement identified by	Date reserved (note a)	Status as of 11/4/80
Standard military gasoline engines	31,400	Troop Support and Aviation Material Readiness Command	Army	4/30/80 5/06/80	Army offered requirement under regular 8(a) program in 10/78. SBA placed it in pilot 4/30/80 (See p. 16.)
Transportable shelter system, Army Calibration Lab	750	MICOM	SBA-PCR	5/06/80 5/09/80	Proposal received from 8(a) firm on 9/5/80
Battery chargers	9,400 (multiyear)	ERADCOM	SBA-PCR	5/09/80 5/13/80	Solicitation issued 9/12/80
HF air/ground support equipment	200,000 (multiyear)	CORADCOM	SBA-PCR	5/21/80 5/21/80	Solicitation issued 8/8/80
Acquisition, installation, and management of a wide range of computer controlled range instrumentation equipment	30,000 (multiyear)	MICOM	SBA-PCR	6/04/80 6/04/80	Being negotiated

APPENDIX II

Pilot project	Estimated value (000 omitted)	Army procurement activity	Procurement identified by	Date reserved (note a)	Status as of 11/4/80
Construction of utility fill alongside U.S. hgwy. and Interstate 85, Granville County, NC	1,500	Wilmington, NC, district COE	SBA	7/02/80 7/07/80	Award expected FY 1981
Construction of Chatham County I recreation area, Beverett Jordan Dam	5,000 to 10,000	Wilmington, NC, district COE	SBA	7/02/80 7/07/80	Referred to COE--project will not start sooner than FY 1982
Construction of composite medical facility at Ellsworth AFB, SD	11,800	Denver district COE	SBA	7/17/80 7/17/80	Referred to COE--Air Force deferred project until FY 1981
Crane for 5-ton tractor/wrecker	3,000	TARCOM	SBA-PCR	7/17/80 7/17/80	Solicitation issued 8/14/80
Building of Missouri River levee system, stage 2, unit L	3,400	Denver district COE	SBA	7/17/80 7/17/80	Scheduled for award in FY 1981
Antenna assembly	Undetermined	CORADCOM	SBA-PCR	7/30/80 7/31/80	Scope of procurement not yet determined

APPENDIX II

Pilot project	Estimated value (000 omitted)	Army procurement activity	Procurement identified by	Date reserved (note a)	Status as of 11/4/80
Training management control system	2,300	Computer System Selection and Acquisition Agency	SBA	8/12/80 8/15/80	Technical proposal under evaluation

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a/The first date is the date of the SBA letter requesting reservation. The second date is the date the Army received the SBA letter. Where three dates are shown, SBA made an initial request but did not provide information on the contractor as required by the SBA/Army agreement. In this case the third date is the date sufficient information was received by Army to proceed with the procurement process.

b/The SBA-Army contract was for $3,825,000. In addition the 8(a) firm received $1.2 million in business development expense funds from SBA.

c/The SBA-Army contract was for about $1.6 million. In addition the 8(a) firm received $273,000 in business development expense funds from SBA.

d/The procurement was originally offered to SBA by the Army for the regular 8(a) program; however, SBA's central office demanded it for the pilot program (see appendix I for further information on this contract).

e/This is a follow-on to the ROWPU contract discussed in appendix I. On 1/16/80, SBA requested Army to reserve this requirement for the second firm discussed in appendix I. Accordingly Army issued a request for proposal to the second firm on 4/18/80. On 4/29/80 SBA requested Army to issue the request for proposal to the first firm (in appendix I) instead. The new request for proposal was issued to the first firm on 7/2/80.

APPENDIX II

 APPENDIX III

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DEC - 2 1980

Mr. Henry Eschwege
Director
Community and Economic Development
Division
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Eschwege:

This is in response to your letter of October 16, 1980, which requested this Agency's comments on your draft report entitled, "Implementation of the 8(a) Pilot Program for Disadvantaged Small Businesses Has Not Been Effective."

Before we comment on each of the recommendations in the report, we would like to generally state that we are of the opinion that the report is unduly critical. We believe the Pilot Program has revealed very positive features which further enables SBA to assist minority-owned companies to systematically plan their growth and development and to improve SBA's management of firms in the 8(a) portfolio. This program has also enhanced SBA's ability to assist and develop viable minority-owned businesses in penetrating the non-traditional types of federal procurement contracts which have historically eluded minority-owned business firms in this country. We agree that improvements can be made and we are seeking methods to improve this program. The following are our comments on each recommendation made in the report.

Recommendation: "Direct program officials to diligently enforce the objective of the pilot program by demanding contracts only when Army (sic) is reluctant to offer them under the regular 8(a) program. Also these officials should only use the pilot program when a qualified firm is known."

Comments: This recommendation, in part, relates to GAO's observations that only contracts which would not traditionally be offered to SBA by the Army under the regular 8(a) program should be considered as procurements under the Pilot Program in a manner consistent with the objectives of that program. While we do not take issue with this observation, we are concerned that the language of the recommendation does not adequately or accurately describe the role of SBA under the Pilot Program.

As noted earlier, the primary goal of the Pilot Program is to actively involve SBA in efforts to identify high technology, multi-year, monetarily significant contracts which traditionally have not been awarded to firms owned and controlled by socially

and economically disadvantaged businesspersons. Because Congress recognized the historical reluctance of Government agencies to award such contracts to these firms, it provided SBA with a vehicle by which it could require that an identified contract opportunity be reserved for a qualified 8(a) firm under the Pilot Program. This provision neither envisions nor requires that SBA should become actively involved only when it must force action by another agency. Rather, it is more an expression of the Congressional sense of purpose that the Army shall take all steps to ensure compliance with the spirit and intent of the will of Congress.

The success of the Pilot Program, therefore, depends on the ability of SBA and the Army to work closely together in a good faith effort to identify and reserve contracts in a manner consistent with the intent of the program. As these relationships are developed, it is believed that an adequate number of contracting opportunities will become available absent any resort to the mandatory reservation provisions of the program. Since this is a new and creative contracting process, we recognize our responsibility to evaluate, select and closely monitor those firms operating under the Pilot Program to ensure to the maximum extent possible, that the business development goals of those firms as well as the objectives of the Pilot Program will be realized.

Recommendation: "Direct program officials to make sure that 8(a) firms selected for the pilot program have the capability to successfully perform the procurement. SBA should use information on the firm's past performance in delivering on 8(a) contracts."

Comments: We believe that SBA's record is satisfactory in this regard; however, we will continue to endeavor to improve in this area. Notwithstanding procedural questions concerning requirements identification and source selection on the first three projects, it should be noted that performance of all three contractors have been satisfactory. This indicates that SBA selected capable management teams in each case.

Recommendation: "Direct program officials to make sure that procurement center representatives are provided sufficient information on 8(a) firms' capabilities so that this data can be used to match qualified firms to procurements."

Comments: We believe that the conclusion which caused this recommendation to be made, i.e., "PCR's have not been effective in identifying pilot projects," may be misleading without clarification of the operational division of responsibility within SBA.

Operational control of the Pilot Program has been centralized in the Washington Office. While it was agreed that Procurement Center Representatives (PCRs) would continue to identify Army requirements which appeared to be susceptible to performance by 8(a) contractors, it was understood that PCRs by the nature of their work are at posts of duty away from regional offices and,

therefore, not aware of the capabilities of individual 8(a) contractors. In short, when the PCR knows company capability, he/she has usually been able to get agreement from the Army to use 8(a) procurement procedures. By definition this procedure is the "regular" 8(a) program - not the Pilot Program. Paragraph II B (3) of the "DA/SBA Interagency Procedures Implementing the Pilot Program Under Public Law 95-507, Amending Section 8(a)(1)(B) of the Small Business Act" states that "The SBA Procurement Center Representative (PCR) will be the primary individual responsible for a) identifying requirements on the local level, b) coordinating actions with the procuring activity or placement of requirements identified on the national level and c) recommending requirements or categories of requirements to be identified on the national level." (Emphasis added.) Under any circumstances the PCR recommends, identifies or coordinates, but cannot and should not decide. Specifically, the decision to "accept" or "take" a requirement or "match" a requirement with an 8(a) company is not in the hands of the PCR.

In support of the "Pilot Program" and the 8(a) program in general, Bulletin #2 to the Prime Contracting SOP was issued October 15, 1979. Copies of this bulletin and copies of the MSB-COD lists of commodities and services required to support the FY '80 requirements for the 8(a) program portfolio companies were distributed at our national training sessions in October and November 1979. These were specifically discussed with all PCRs in attendance.

The cumulative three quarters reports for FY '80 indicate that 1,865 items have been referred by PCRs for the 8(a) program. These have an estimated value of $1,233,733,000. With specific reference to those items referred which might have been used for the Pilot Program, the following examples are cited:

Tractor/trailor with crane $2.7 million - under negotiation.

M-332 Cargo Trailor - awarded in September - $10.5 million.

Operation of National Training Center estimated at $25 million.

Tactics Trainer (Patriot System) estimated at $16 million.

Stinger System - 7 items estimated at $3 million.

Roland containers - estimated at $1.8 million.

Software Services - estimated 1st year $800,000
2nd year $1,000,000.

In summary, it is evident that the PCRs have supported the 8(a) program and the "pilot" with referrals and recommendations.

Recommendation: "Direct that the Office of the Inspector General conduct reviews of the three initial pilot contracts to determine the effectiveness of contractors' performance."

Comments: SBA will initiate two actions regarding this recommendation. First, you are aware that the Office of the Inspector General over the last three years has used substantial staff resources for various reviews in the 8(a) program. In fact, a followup review of prior findings dealing with 8(a) business development expense funds and advance payments is now in process. This work was requested by the Chairman, Subcommittee on Federal Spending Practices and Open Government during oversight hearings. Accordingly, the Inspector General advised me that he will, as part of his 8(a) followup, review the use of all SBA funds disbursed to the 8(a) firms under the reverse osmosis water purification unit contracts. Second, I will direct the Associate Administrator for Minority Small Business and Capital Ownership Development to also have his Office of Program Surveillance and Assistance initiate reviews to determine if the three initial pilot contracts were effectively performed by the 8(a) firms.

Recommendation: "The Congress should amend the authorizing legislation to allow for the further testing of the pilot program in an additional agency that has yet to demonstrate its complete support for the 8(a) program."

Comments: While we would welcome other agencies' participation in the Pilot Program, we believe that it is important for the Army to continue in the program. While the Army's 8(a) program has been more successful as compared to other agencies, they have relied very heavily upon non-professional service requirements to meet their goals. In this respect, there is a need to have the Army place far more emphasis in the area of manufacturing.

In addition to the above, we would like to make several comments not directly concerning the report recommendations.

The report indicates that an 8(a) contract was awarded by SBA's Central Office at the same time a firm was being recommended and terminated by the District Office. It goes on to say that the particular firm had continually experienced financial difficulty due to questionable financial practices, and that SBA agreed to provide $1.2 million in BDE to support the firm's performance. We believe that the selection of this firm was proper and that its performance to date on the contract support SBA's confidence in its ability to deliver. We also feel that the use of BDE was appropriate and consistent with the guidelines of SOP policy.

GAO questions SBA's use of BDE fund in support of a second firm, implying that the action was improper since the contract in question was outside the firm's current line of business. However, the particular contract required capabilities existing within the firm's management structure and the firm's performance to date justifies the SBA decision.

GAO states that a third firm was awarded a $4 million contract in a joint venture with a non-8(a) firm even though the firm was a one-man operation. The joint venture was required since the 8(a) firm could not have obtained the necessary bonding without this type of arrangement. Over the years, joint ventures have been used in construction procurements principally to enable the 8(a) firm to obtain bonding. The excellent contract performance to date supports the decision in this case.

Finally, we would like to express our appreciation for the opportunity to comment on the report and if you need any additional information, please advise.

Sincerely,

A. Vernon Weaver
Administrator

87-540 O - 82 - 6

 APPENDIX IV

DEPARTMENT OF THE ARMY
OFFICE OF THE SECRETARY OF THE ARMY
WASHINGTON, D.C. 20310

SADBU

8 DEC 1980

Mr. W.H. Sheley, Jr.
Acting Director
Procurement and Systems Adquisition
Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Sheley:

This is in reply to your letter of October 16, 1980 to the Secretary of Defense regarding your draft report on "Implementation of the 8(a) Pilot Program for Disadvantaged Small Business Has Not Been Effective", OSD Case #5553, GAO Code 077940.

The report reflects a keen understanding of the way in which the Pilot Program has been administered by the SBA. The GAO team has done an excellent job of uncovering the facts, analyzing them and then setting them forth in the proper perspective. While the Army was aware of some of the situations covered in the report, many additional elements were revealed in the report. The team members should be complimented for their development of this report.

The central theme of the report realistically presents the inability of the Small Business Administration (SBA) to properly assess and match an 8(a) firm's capabilities with procurement opportunities. In light of this observation a comment might be included in your report that reflects the repeated attempts that have been made by the Army during this period of the Pilot Program to assist the SBA in this area. Formal and informal communications have been made to the SBA to submit the names of those firms which the SBA intends to support under the Pilot Program. The Army would, utilizing the expertise available to it, analyze each firm and identify procurement opportunities that could be made available to them with the objective of establishing an orderly development effort for those firms. This approach was iterated during hearings on March 6, 1980 before the Task Force on Minority Enterprise of the Subcommittee on General Oversight and Minority Enterprise of the Committee on Small Business of the House of Representatives. It should be noted that such an approach can be carried out under the purview of the regular 8(a) program.

The Army recommends that some comment be made as to the excessively high administrative costs incurred by the Army in dealing with the Pilot Program. During the past year, 75% of all professional time in the Office of the Director, SADBU was devoted to some aspect of the Pilot Program. The result was only $19.3 million in pilot program contracts in Fiscal Year 1980 while the expenditure of only about 15% of the professional time related to $273.4 million of regular 8(a) Program contracts. Added to the Pilot Program costs should be the increased demands on other DA headquarters offices, major commands and purchasing activities in administrative functions, technical evaluations, negotiations and extensive conferences, briefings and communications.

The Army fully supports the GAO position (p. iii) that the pilot program should be more fully tested in an agency that has not yet demonstrated its support for the 8(a) program. The Army experience can now be analyzed without continuing the Pilot Program with the Army. The program has been tested with the Army. At this time a different agency should be designated as the Pilot Program agency; one which has not demonstrated its support of the regular 8(a) Program. With the experience gained through the Army test, the SBA should be able to proceed expeditiously with a new agency. At the end of the test period, a valid comparison can be made as to the benefits that accrue to 8(a) firms from two very different approaches to the Pilot Program concept.

Other comments are included at Inclosure 1.

Sincerely,

Juanita P. Watts

JUANITA P. WATTS
Director
Office of Small and Disadvantaged
Business Utilization

2 Incl
as

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APPENDIX

Hi Lo Industries, Inc.

1625 Eye Street, N.W., Suite 515, Washington, D.C. 20006
202/223-2980

CERTIFIED 8(a) CONTRACTOR

February 16, 1981

Michael Haynes, Esquire
Chief Counsel, U. S. Senate
Select Committee on Small Business
424 Russell Senate Office Building
Washington, D.C. 20510

Re: GAO Report on 8(a) Pilot Program
(XYZ-Hi Lo Industries, Inc.)

Dear Mr. Haynes:

Hi Lo Industries, Inc. (Hi Lo), which is referred to in the subject report as XYZ, would like to take this opportunity to submit for the record our comments on the U. S. General Accounting Office Report to the Congress on the 8(a) Pilot Program dated January 23, 1981.

First, we would like to offer our explanation for not responding to GAO's request for comments on the "Draft" of this Report. At the time the request was received, Hi Lo was concentrating all of its time and efforts on the Fort Leonard Wood Project. We did not know or believe that the "Final Report" would be submitted without further follow-up by the GAO on the progress of the Fort Leonard Wood Project. Further, the Report quoted an employee of SBA's central office as saying that Hi Lo should never have obtained the contract. Since Hi Lo had facts which apparently this employee did not have, we wanted to meet with SBA before issuing its comments. Although Hi Lo was continually promised a meeting, it was never held. Lastly, Hi Lo was not informed of the scheduled Senate Hearings which were held on January 23, 1981. Since Hi Lo was one of the three case studies in the Report, we believed that our testimony would be requested. We wish to reply specifically to the allegations and conclusions in the above-referenced report as follows:

Herewith enclosed is Hi Lo's 1978 Brochure (Exhibit A) submitted to SBA in 1978 as part of Hi Lo's request for certification which in brief shows to some extent the capabilities of Hi Lo in the window and curtainwall industry and clearly documents that, while Hi Lo may be owned by one individual, it is not a one-man firm. Most of this same information was also contained in the business Plan submitted for 8(a) certification. Hi Lo's initial experience in the 8(a) Program was not with the V. A. Medical Center at Fort Howard, Maryland, as stated in the Report. Rather, in July of 1978, the Small Business Administration was advised by me that I would pursue the Fulton Hall Addition, U. S. Merchant Marine Academy, Great Neck, New York Project which would hopefully be an "8(a)" project. Finally, after volumes of correspondence over a period in excess of six months, it was decided that the job would not be an "8(a)" project; but Hi Lo did obtain some

of the subcontracting work through the competitive bid process. (See Exhibits B through M.)

The Report criticizes Hi Lo for being overaggressive in trying to obtain 8(a) contracts. I submit that, without the continuing pressure applied by me, as Hi Lo's President, it is doubtful that we would have obtained any 8(a) contracts, although we are unaware of any other 8(a) firms with similar qualifications. This is simply a fact of life and would have resulted in Hi Lo having to totally rely on the competitive bid process even though it was an 8(a) certified firm. In fact, SBA advised Hi Lo that if it wanted 8(a) contracts, we should do our own marketing because SBA lacked adequate staff or knowledge of Hi Lo's type of expertise. Exhibits N and O document that it was necessary for Hi Lo to visit SBA's National Office before the Regional Offices even began seeking contracts for Hi Lo. It should be noted that Hi Lo is currently negotiating with the Savannah and Baltimore Districts of the Army Corps of Engineers for additional 8(a) contracts. Even though these projects were "set aside", SBA never informed Hi Lo of their existence. Hi Lo learned of these contracts (which were well within its capabilities) from meetings which Hi Lo initiated with the Corps of Engineers.

Considerable mention is made in the GAO Report on Hi Lo's performance in connection with its one previous 8(a) contract. The Report states that in November of 1979, a management consultant hired by SBA concluded that Hi Lo was incapable of performing the Fort Leonard Wood Project. At the same time, the Chief of SBA's Washington District Office Contracts Division questioned Hi Lo's abilities because of our performance on the only 8(a) contract to date -- the V. A. Medical Center, Fort Howard, Maryland. The Chief criticized the fact that this contract was awarded in the Spring of 1979; by late November of 1979, $39,863.09 in advance payments had been received, and no work had been started. She even concluded that repayment of the advances was doubtful. GAO went on to note that work had finally started in May of 1980. We find it disturbing that the consultant, the Chief of the Contracts Division and GAO never bothered to check with us on this contract and would respectfully suggest in the future that this type of Report would have more meaning if the examiners checked all possible sources of information so that they can make the most enlightened analysis possible.

In connection with the Fort Howard Project, such a check would have revealed that the notice to proceed was not even issued until January 10, 1980; V. A. did not approve the shop drawings until April 23, 1980; the manufacturer (which was not Hi Lo) ran into problems which were documented to V. A.; that the project was completed by September 30, 1980; and that this was within V. A.'s approved deadline. (See Exhibit P.) It should also be noted from this Exhibit that every time action was required of Hi Lo it was taken in a most expeditious manner.

We are pleased to enclose as Exhibit Q a letter from the V. A. indicating that Hi Lo's services were performed in a highly satisfactory manner (emphasis supplied). We are also pleased to enclose as Exhibit R a copy of the Treasury Department check to Hi Lo for $70,000.00 and our check to SBA for payment in full of all advances. This check was hand carried to SBA the same day that the Treasury check was deposited.

We would now like to spend some time discussing the Fort Leonard Wood Project. We are once again disappointed that GAO did not ask for the input from either us or Colonel V. D. Stipo, who was Chief Contracting Officer in Omaha, Nebraska, and in charge of the project. It should also be noted that the consultant's expertise was in other endeavors, not window installation, carpentry or insulation. In fact, once work was commenced, it became apparent during meetings between the consultant, Hi Lo and the project engineer for the Corps of Engineers that the consultant did not understand even the basic mechanics of this type of job. Contrary to the misgivings of the consultant, GAO and apparently even SBA, this project is being completed in a very exemplary manner. As of January 31, 1981, we were 87.7 percent complete with absolutely no deficiencies. Currently, only one subcontractor needs to complete its work before there can be a final inspection and this should take place well before the end of March. The contract calls for completion in November of 1981, and this means that it will have been completed approximately eight months ahead of schedule. We urge anyone interested to contact Colonel Stipo, Colonel Walter C. Bell (current Chief Contracting Officer, located in Kansas City District of Corps of Engineers), Edward Ove, Jr. (the on-site resident engineer), Ray Hensley (the project manager for the Corps of Engineers) or Major General Louis Prentiss, Jr. (the base commander) concerning Hi Lo's performance. Hi Lo would welcome a review of its performance on this project by the Committee or any other interested party.

Considerable mention is also made of the fact that Hi Lo's joint venturer and principal supplier on the Fort Leonard Wood Project was non-minority. As SBA correctly pointed out in its reply to GAO, without the participation of a non-8(a) joint venturer, Hi Lo could never have obtained the necessary bonding for a project of this magnitude. This problem has been documented time and time again. Further, the prices our participant, subcontractors and suppliers had to be competitive, the products had to be in conformance with the approved plans and specifications; and the products and prices had to be approved by the Army. There were four major materials needed for the project: windows, insulation, siding and lumber. We did attempt to locate minority suppliers for these products. The question of competitive price was never reached since no minority lumber, siding or insulation manufacturer was located. One black window manufacturer was located, the Yonkers Plate Glass Company in New York. It did not have the capability of manufacturing the windows required by the specifications.

Our efforts to increase minority participation did not end there. We even requested the help of SBA's Kansas City District Office in locating qualified minorities in the area. (See Exhibit S.) While some leads were supplied, the potential minority subcontractors did not express interest. Mention is also made of the fact that Hi Lo's project manager was previously an employee of the other joint venturer. It might interest the Committee to know that the individual involved was Joe Mattingly, who was chosen because of his prior experience and the fact that he was an American Indian. From March to October, 1980, I, the sole owner of Hi Lo with over 28 years of experience in this specialized field, was the project superintendent. During this period, I remained on site and rented an apartment in Maynesville, Missouri. Hi Lo used all reasonable efforts to make sure that as many key individuals as possible on this project were minorities. The results were as follows:

Joe Mattingly, Project Manager, Indian
David A. Fink, Assistant Superintendent, White
Alfred C. Harrell, previous Project Superintendent, Black
William L. Payton, Jr., Engineer, Black
Hubert Williams, current Project Superintendent, Black
Lorraine Gass, Bookkeeper, White, Female

In closing, we would like to spend a brief amount of time discussing Hi Lo. We refer your attention to Exhibit A which was previously mentioned. The following are the key people currently associated with the corporation:

Alfred C. Harrell	President
Marie H. Goff	Corporate Secretary
Don Chadbourne	Project Manager
William L. Payton, Jr.	Project Engineer
Hubert Williams	Project Superintendent
Shirley V. Butler	Secretary
Baskin and Sears	General Counsel
Laventhal & Horwath	Accounting

A number of these individuals were involved during the period of the GAO report.

Hi Lo operates on a national level. Therefore, it is not necessary to have trucks, scaffolding, trailers, etc. lying around waiting to be used. The historical nature of our firm is not unlike any other progressive firm doing this type of business. Most of the equipment used is on a rental basis which keeps the overhead down by not having to rent a warehouse for storage. Labor is obtained from the local area where the work is being performed. This is all contained in the business plan which was submitted to SBA with the initial request for 8(a) certification. The concept is and was that of a highly specialized firm operating on a national basis, not a general contractor operating in the Washington, D.C. area.

SMALL BUSINESS ADMINISTRATION 8(a) PILOT PROGRAM

HEARING

BEFORE THE

SELECT COMMITTEE ON SMALL BUSINESS UNITED STATES SENATE

NINETY-SEVENTH CONGRESS

FIRST SESSION

ON

SMALL BUSINESS ADMINISTRATION 8(a) PILOT PROGRAM

JANUARY 23, 1981

Printed for the use of the Select Committee on Small Business

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON: 1981

THE TOP 100

This is the eighth annual list of the Top 100 black/owned and/or controlled businesses in the United States. Only firms in continuous operation since January 1, 1979 are included. The criterion for inclusion is each company's gross sales in 1979. The cost of sales is not considered.

	CHIEF EXECUTIVE		EMPLOYEES	TYPE OF BUSINESS	
	Berry Gordy		275	Entertainment	
	John H. Johnson		556	Publishing, cosmetics, broadcasting	
	Samuel Berger		400	Retail supermarkets	
	Herman J. Russell		350	Construction & Development	
	George E. Johnson		650	Manufacturer of hair care products and cosmetics	
	Kenneth Butler		40	Oil distribution	
	Roland L. Treiman		10	Exports	
	George Smith Sr.		90	Oilfield pipe & supply	
	Calvin M. Grimes Jr.		60	Petroleum	
	Charles Wallace		32	Fuel oil wholesale & retail sales	
	Christopher E. Clinkscale		10	Defense equipment & materials, crude oil marketing	
	James H. Dandy		400	Manufacturing, real estate & building materials	
	Lancelot E. Drummond		60	Liquor wholesaler	
	Lando H. Smith Jr.		42	Wholesale/retail fuels & lubricants	
	Shelby Coates		5	Computer design/ general purpose	
	Porterfield Wilson		60	Automobile/truck sales	

THE TOP 100

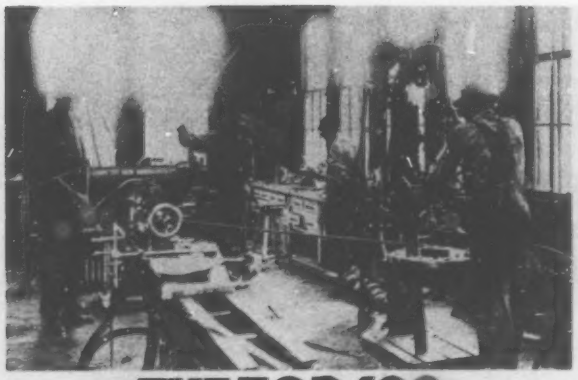
CHIEF EXECUTIVE	REVENUES ($ MILLIONS)	TYPE OF BUSINESS
Richard D. Gibbs	69	Auto sales & service
Dale A. Stanley	70	Construction
W. Hobbs Brown Jr.	350	Diversified manufacturing
Charles T. Bates	160	Retail grocery supermarkets
James W. Woodruff	60	Auto sales & service
Richard C. Hertz	55	Auto sales & service
Leonard S. Halpert	50	Manufacturer of chocolate
Albert W. Johnson Sr.	60	Auto sales & service
Mel Farr	50	Auto sales & service
Steve T. Rogers	160	Retail food market
Nathaniel R. Goldston III	1,200	Food service management
Regan A. Henry	350	Radio and television broadcasting
Barbra J. Wilson	40	Auto sales & service
Lennon McCoy	500	Containerized trucking & truck stop
Floyd O. Thacker	350	Airport, highway & heavy construction
Edward Lewis	60	Magazine publishing
Howard H. Mackey III	400	Vinyl & fabric packaging, & stationery materials, etc.
Will Jackson	30	Distributor of petroleum products
Walter A. Collymore	450	Canvas/athletic footwear manufacturer
Raleigh T. Gates Sr.	40	Auto sales & service
Chester C. Carter Sr.	67	Wholesale wine & liquor

THE TOP 100

Robert L. Myers Jr.		89 Auto sales & service
Rufus L. Rufus		42 Auto sales & service
Charles B. Bannerman		110 Diversified manufacturing
Pierre Sutton		101 Radio broadcasting
Frank B. Crosby Jr.		109 Electronic systems
Cornell McBride		123 Manufacturing & distribution of hair care products
Conner A. Caldwell		127 Convention management
Roy Dawes		45 General contracting & engineering
Payton R. Wells		90 Auto sales & service
Richard H. Tynes		48 Auto sales & service
Kenneth C. Younger		68 Auto sales & service
Nathan Conyers		78 Auto sales & service
Ben Johnson		80 Auto sales & service
Alfred A. Jones		35 Oil distributor
Joseph C. McLaughlin		37 Auto sales & service
Donald F. Beamon		17 Construction
Norman B. Thomas		46 Beer distributor
Booker T. Bowling		60 Auto sales & service
Willie B. Beale		67 Beer distributor
Lawrence J. Cormier		32 Sale of petroleum products
Carl P. Washington		8 Gasoline diesel fuel — refineries

THE TOP 100

THIS YEAR / LAST YEAR	COMPANY & LOCATION	CHIEF EXECUTIVE	YEAR STARTED	EMPLOYEES	TYPE OF BUSINESS	$ SALES
39	BARJANS PONTIAC INC. EAST POINT, GEORGIA	Gregory T. Barjans	1970	52	Auto sales & service	5,000
47 / 46	KING CITY FOODS, INC. CHICAGO, ILLINOIS	Garland C. Gulas	1970	750	Fast food restaurants	5,000
51	50	ROSS ROSS BUICK, INC. CENTERVILLE, OHIO	Robert P. Ross	1974	70	Auto sales & service	5,000
54	57	WILLIAM HOFF USED INC. MANCHESTER, GEORGIA	William Hoff III	1974	29	Auto sales & service	5,000
55	54	WEIKEL CHEVROLET, INC. LANDOVER, MARYLAND	John C. Soldel	1974	46	Auto sales & service	5,000
56	49	YUCCA VALLEY FORD, INC. YUCCA VALLEY, CALIFORNIA	William F. Shuck Jr.	1977	53	Auto sales & service	5,000
57	52	RANGER ROUSE SUGARS COMPANY CHICAGO, ILLINOIS	Daryl Grinham	1961	84	Sausage manufacturer	5,000
58	61	ERDOM CONSTRUCTION & DEVELOPMENT CORP. LYNBROOK, NEW YORK	Charles Posy	1972	16	General construction	5,000
59		SATTERLEE CONSTRUCTION COMPANY, INC. SOUTH BEND, INDIANA	Robert V. Satterlee	1967	150	Construction	5,000
60	58	DALTON BUICK-OPEL INC. MEDFORD, MASSACHUSETTS	Roland J. Walton	1977	46	Auto sales & service	5,000
61	59	GOLDEN BIRD INC. CO. FOR CITY, CALIFORNIA	Willie J. Stennis	1969	212	Fast food restaurants	5,000
62		BUSH CONSTRUCTION CO. INC. CHICAGO, ILLINOIS	Ernest Bush Sr.	1970	31	General construction, industrial & commercial	5,000
63	67	BILL WILSON CHEVROLET INC. REDWOOD, CALIFORNIA	William W. Nelson	1960	48	Auto sales & service	5,000
64	64	RENAISSANCE ENTERPRISES, INC. CHICAGO, ILLINOIS	John H. Gengelbacke	1969	200	Publishing	5,000
65		THE R. DEWOLD COMPANY WORLAND, WYOMING	John W. Barfield	1950	300	Manufacturer of car parts	5,000
66	63	BOB SMITH CHEVROLET INC. LOUISVILLE, KENTUCKY	Robert W. Smith	1972	49	Auto sales & service	5,000
67		FULLER OIL COMPANY FAYETTEVILLE, NORTH CAROLINA	Charles C. Fuller	1961	70	Home heating oil deliveries	5,000
68	69	EARL G. GRAVES, LTD. NEW YORK, NEW YORK	Earl G. Graves	1970	80	Communications	5,000
69	65	HENDERSON SCALE CORP. WEST CALDWELL, NEW JERSEY	Henry F. Henderson Jr.	1965	62	Automatic weighing & control systems	5,000
70	66	ALL-STAINLESS INC. HAVERHILL, MASSACHUSETTS	Eugene V. Ruenzel	1950	60	Stainless steel industrial hardware	5,000
71	68	THE PROTECTIVE AGENCY, INC. NEW YORK, NEW YORK	Dale R. Michael	1961	1,000	Security guards	5,000



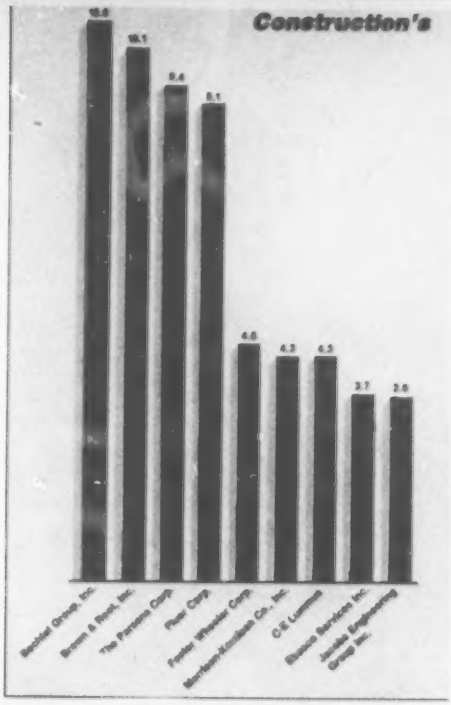
THE TOP 100

		CHIEF EXECUTIVE	YEAR STARTED	EMPLOYEES	TYPE OF BUSINESS	1977 SALES
		James Kearney	1977	28	Auto sales & service	$ 477
		Jim Bradley	1975	40	Auto sales & service	$ 547
		Nario Roberts	1970	500	Food service	$ 597
		Darrell R. Gordon	1972	23	Auto sales & service	$ 599
		Jesse H. Jackson	1972	18	Manufacture aluminum chloride	$ 600
		Allison B. Randolph Jr.	1973	45	Oil field drilling, chemicals & engineering	$ 649
		Barry L. Beazle	1975	22	Metal service center	$ 660
		Leon Jackson	1974	120	Manufacture looseleaf binders, office specialties	$ 685
		Patrick L. Beauchamp	1971	32	Beer distributor	$ 690
		Brady Keys Jr.	1967	600	Fast food restaurants, coin brokering, game machines	$ 700
		Robert P. Noel	1968	35	Auto sales & service	$ 721
		Porter Bankhead	1973	265	Info processing/ computer software	$ 725
		Horace Noble	1976	40	Auto sales & service	$ 790
		George Hughes	1972	31	Auto sales & service	$ 800
		Leroy C. Tombs	1971	600	Food service	$ 803
		Raymond A. Mott	1971	280	Computer processing/ research & development	$ 833
		Lawrence W. Carroll	1970	60	Retail food	$ 870
		Luther D. White	1965	60	Tire sales & service	$ 880
		Chester L. Washington	1971	137	Newspaper publishing	$ 890
		Herman E. Valentine	1972	263	Applied information technology	$ 899
		Robert C. Harrison	1973	25	Auto sales & service	$ 900

400

Energy markets and foreign work boost '80 awards

Bechtel wins tight race to the top



Strong energy and mineral markets at home and a surge in new work abroad underpinned the success of the nation's largest contractors in 1980. The nation's construction firms reported signing $113 billion in new contracts last year, bettering 1979's performance by 25%, according to ENR's 18th annual survey of industry leaders. The most impressive gains came overseas where 30% of all work originated. American firms found new markets opening up in Latin America and Asia which helped boost the Top 400's foreign volume by 54% to $34 billion (see p. 114).

A resurgence in refinery and mining work as well as continued demand for industrial process plants and office buildings helped boost domestic contracts for the group by 15% in 1980 to $79 billion. In addition, these firms took on program and construction management responsibility for $20 billion worth of new domestic projects. Overseas, U.S. companies signed contracts to manage $13 billion worth of projects.

The billion-dollar barrier was broken by 29 companies in 1980. Those construction giants, ranked by their combined total of general contracts, including their share of joint venture, subcontracts, design-construct and the erected value of program and construction management projects, account for over half of all the 400's domestic volume and nearly 90% of its foreign total. The billion-dollar firms also dominate the construction management market, claiming 68% of all domestic and 96% of all foreign management contracts reported to ENR.

Neck and neck. Four of the industry's super-contractors made a strong bid for the number one slot on ENR's top 400 list, taking on among themselves nearly $40 billion in new contracts. After the dust settled, Bechtel Group, Inc., San Francisco, had secured the top notch by tripling its 1980 new awards to $10.6 billion from $3.5 billion reported for 1979. New work awards, adjusted for inflation, were the highest in five years and helped push 1980's workload measured in man-hours up 9% over 1979. Another 15% increase in the man-hour workload is anticipated in 1981.

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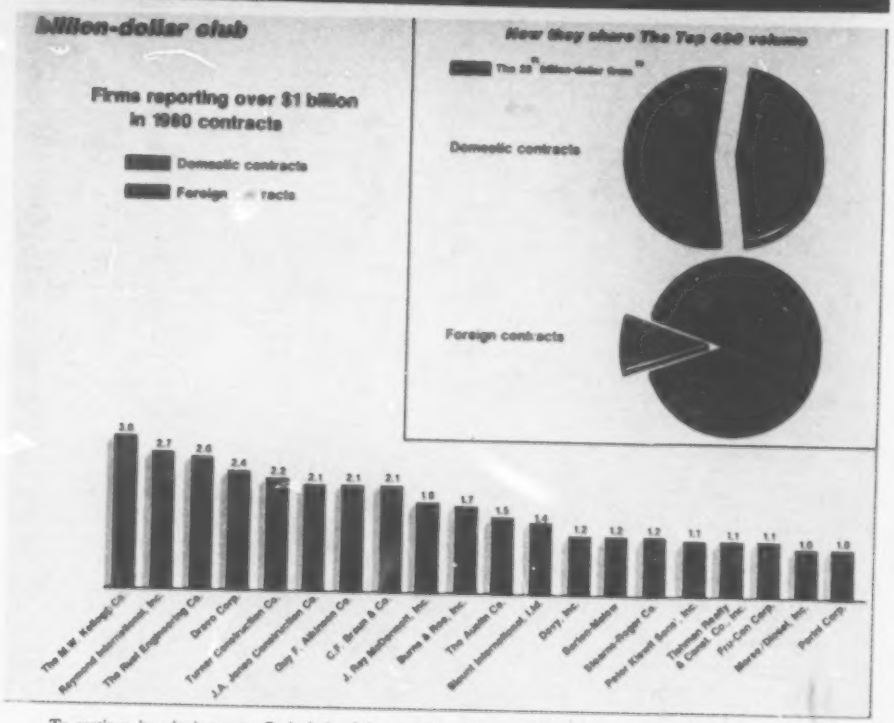

To continue its winning ways, Bechtel signaled a shift in strategy by restructuring the company's organization in 1980. The firms' operating divisions were placed under three principal companies: Bechtel Power Corp., Bechtel Petroleum, Inc. and Bechtel Civil & Minerals, Inc. "The restructuring of the company will allow Bechtel to handle even more business and do a better job," says Richard P. Godwin, president of the civil and minerals division. "With larger pools of manpower and stronger technical ability, we'll be able to pursue industries and not just individual clients," Godwin says.

Historically, Bechtel Power Corp. dominated the Bechtel workload, but the search for new sources of fuels and other raw materials last year brought increasing demand for services from the other two divisions, creating a more balanced mix of projects for the Bechtel organization, Godwin points out. In 1981, Bechtel expects strongest growth to be in the petroleum, petrochemical and synfuels markets while mining activity related to copper, aluminum and nickel is also expected to increase. In fact, a major reason behind Bechtel's restructuring was to position it for the anticipated work in the synfuels market and in the minerals field, claims Godwin, who also looks for more petrochemical work "because demand has caught up with supply for many chemical products such as ammonia and PVC."

Landing the jumbo-project. Placing a close second, Brown & Root, Inc.,(BAR), Houston, signed $10.1 billion in new contracts, just 4% behind Bechtel's contract pace. Although its foreign work dropped off slightly in 1980, BAR was able to increase domestic awards by 65%. "The landing of several jumbo-projects powered our 1980 gains," says Jack L. Duke, general sales manager. Leading BAR's project list were two western oil shale projects valued at more than $2.3 billion each and the rehabilitation of a large oil refinery for Chevron.

The strongest markets in 1980 for BAR, claims Duke, were refineries, synfuels, marine work and power generation, while the weakest areas were forest products and manufacturing

plants. "The marine business is beginning to come back this year," says Duke. "Chemicals will also improve while refineries and synfuels maintain their significant position."

The Parsons Corp., Pasadena, Calif., went to the North Slope in Alaska and overseas to put together a string of contracts including project management work, that raised it from seventh place on ENR's 1979 ranking to the nation's third largest contractor in 1980. Foreign work accounted for 88% of Parsons' new contract awards last year, growing from $536 million in 1979 to $8.3 billion. The increase is based on a long list of large projects landed in 1980 which include an Abu Dhabi traffic and road improvement program and construction management project, the expansion of copper mines in Chile plus a series of projects on Alaska's North Slope for Sohio, Arco and other major energy companies, all in excess of $1 billion each.

"The strongest markets are in oil, gas and energy-related fields," says Stanley Goldhaber, senior vice president and director of business development at Parsons. Mining and metallurgy continue to be significant areas of improvement in the near term, claims Goldhaber, while public works and defense projects, he adds, could also turn around sooner than expected.

Fluor rides high. Fluor Corp., Irvine, Calif., also took the energy path to the top of ENR's contractor list as it tied down fourth place with $9.1 billion in new awards. Fluor maintains its massive involvement in overseas construction projects with $5 billion in new contracts, but posted its major gains on the home front as domestic contracts, as a percent of Fluor's total volume, rose from 20% in 1979 to 45% last year.

"The increase reflects higher activity across the board," says William McKay, president, Fluor Constructors International, who claims the company hired 4,000 new people in 1980 to handle the increased workload. Fluor's largest new project in 1980 was for the design and construction of a petrochemical plant in Saudi Arabia. "We're also doing a lot of heavy oil upgrading work for Texaco throughout the country," McKay says. This same type of work, he notes, has brought a $400-million project for Shell in northern California and a $300-million job for Phillips Petroleum in Texas.

"The strongest market for Fluor in the U.S. and Europe," says McKay, "is getting to the bottom of crude oil barrels, chewing up the residuals and converting them to transport fuel. There are many of these projects and more in sight as oil prices continue to rise." The equipping of refineries to handle heavier and sour crude with its greater sulfur content, McKay claims, is also keeping Fluor busy. "We have a contract in Canada to extract heavy oil for processing which will be the biggest job the company has even had once it's released," says McKay.

While synfuels projects hold potential, McKay believes, Fluor found it a weak market last year, and planned administration cutbacks in federal aid for such projects could delay new starts. "The market fell short," he says, "although we have two contracts to build shale oil plants which have not been released yet. . . . More will be built but this market will take longer to mature than expected."

Unlike other top industrial contractors, a souring synfuels market has not stopped Fluor from setting its sights on the mining and mineral extraction markets. Earlier this month, Fluor signed a preliminary merger agreement with St. Joe Minerals Corp., New York City, a major producer of lead and zinc (ENR 4/9 p. 25).

The big movers. One of the best performers of 1980 was Foster Wheeler Corp., Livingston, N.J., streaking to the No. 5 spot from its 16th rank in 1979. The increase in 1980's business was mostly cornered in North American contracts as Foster Wheeler also took advantage of the investment surge to modernize oil refineries to handle more crude.

Synfuels is another major area of work for Foster Wheeler, with one of its largest projects a shale oil plant for the Exxon and Tosco oil producers. Foster Wheeler also will design, engineer and handle procurement for a $1-billion shale oil oil plant, near Parachute Creek, Colo.

Close behind Foster Wheeler is Morrison-Knudsen Co., Inc., Boise, Idaho, with $4.3 billion in new general contracting and CM contracts. M-K also shared the spotlight as one of the big movers, climbing 12 places above its 1979 ranking.

Increasing its volume by 30% in 1980, mainly on the strength of its foreign contracts, C-E Lummus secured seventh place. Lummus scored some of its largest 1980 contracts for oil and gas recovery jobs in Saudi Arabia and in petrochemical work in Saudi Arabia and Europe. The company's market focus, however, is apparently shifting to Latin America where the firm has just announced a multi-billion dollar contract to manage construction of a project over the next six years that will convert Venezuela's tar sands into petro-products.

The top 10 construction firms are rounded out by Ebasco Services, Inc., New York City, at $3.7 billion; Jacobs Engineering Group Inc., Pasadena, Calif., at $3.6 billion; and The M.W. Kellogg Co., Houston, at $3 billion. On the home front these firms share an even more significant portion of the construction pie. Based on domestic contracts, Ebasco and

Program and construction managers

RANK	FIRM	MANAGEMENT CONTRACTS IN $ MILLIONS TOTAL	FOREIGN
1	Brown & Root, Inc., Houston, Tex.	4,285.0	154.0
2	Ebasco Services Inc., New York, N.Y.	3,401.2	142.4
3	Morrison-Knudsen Co., Inc., Boise, Idaho	3,239.5	2,286.6
4	Jacobs Engineering Group Inc., Pasadena	2,768.9	1,170.0
5	The Parsons Corp., Pasadena, Calif.	2,411.0	2,370.5
6	Bechtel Group, Inc., San Francisco	2,109.0	1,892.0
7	Burns & Roe, Inc., Oradell, N.J.	1,677.6	22.4
8	Dravo Corp., Pittsburgh, Pa.	1,664.2	711.9
9	Barton-Malow Co., Detroit, Mich.	1,108.0	0
10	Tishman Realty & Const. Co., Inc., N.Y.	1,086.5	0
11	C.F. Braun & Co., Alhambra, Calif.	850.0	850.0
12	United Engineers & Constructors, Inc., Philadelphia, Pa.	821.0	0
13	Morse/Diesel, Inc., New York, N.Y.	723.5	0
14	Guy F. Atkinson Co., S. San Francisco	707.8	637.5
15	Foster Wheeler Corp., Livingston, N.J.	700.0	700.0
16	Gilbane Building Co., Providence, R.I.	699.7	0
17	C-E Lummus, Bloomfield, N.J.	600.0	370.0
18	McCarthy Brothers Co., St. Louis, Mo.	553.0	25.0
19	Catalytic Inc., Philadelphia, Pa.	545.0	190.0
20	Raymond International, Inc., Houston	490.0	1.0
21	Turner Construction Co., New York	431.1	294.7
22	Fluor Corp., Irvine, Calif.	421.0	n.a.
23	Day & Zimmermann, Inc., Philadelphia	320.0	120.0
24	J.S. Alberici Const. Co., Inc., St. Louis	250.0	0
25	Huber, Hunt & Nichols, Inc., Indianapolis	225.0	0
26	Madison-Stuart Co., Pittsburgh, Pa.	223.0	0
27	Davy Inc., Cleveland, Ohio	217.6	0.9
28	Lehrer/McGovern, Inc., New York, N.Y.	205.0	0
29	Ford, Bacon & Davis, Inc., Monroe, La.	201.1	3.3
30	The Austin Co., Cleveland, Ohio	200.0	50.0
31	Kitchell Contractors, Inc., Phoenix, Ariz.	194.6	0
32	George A. Fuller Co., New York, N.Y.	174.0	0
33	L.F. Driscoll Co., Bala Cynwyd, Pa.	143.2	0
34	Del E. Webb Corp., Phoenix, Ariz.	139.0	0
35	Mills & Jones Const. Co., St. Petersburg,	127.1	0

Based on the erected value of program, project and construction management contracts.

Jacobs are the third and fourth largest contractors. Brown & Root and Fluor are the two largest domestic contractors.

Jacobs Engineering, in particular, made a sharp move toward top honors, climbing 18 notches above its previous rank. "Business went up dramatically," says Dale J. Myers, president, because of the recovery of serveral specialty areas that we are involved in, such as fertilizers, which had been down for three years and began to boom in 1980. "Phosphates and potash activity has been growing both domestically and internationally," Myers says, adding that the company is well positioned in the minerals market, which he expects to grow for the remainder of the decade.

Raymond International, Inc., Houston, also keyed in on the minerals market as it bounded from 38th place in 1979 to rank No. 11 last year. Raymond benefited from a worldwide boom in the aluminum industry to capitalize on engineering and construction management contracts. "Aluminum work has taken off like a rocket," says F.R. Mason, a Raymond senior vice president. "For years the big aluminum companies reviewed future capacity requirements and then the projects seem to hit all at once." Raymond's largest single award was for a $1.1-billion alumina refinery plant in western Australia. Another strong boost came from the offshore production platform construction market. Mason says "1980 was the year this market turned around and Raymond is gearing up to exploit the offshore market as much as possible."

CM big business. The nation's leading program and construction manager in 1980 was Brown & Root, Inc., with $4.3 billion in management contracts. "The greatest demand for construction management work is in the areas of synfuels, refiner and chemical work and, to some degree, forest products," says B&R's Duke. B&R sometimes takes on jobs where it does engineering and construction management, or where it does the construction as well as construction management, but it seldom takes on jobs involving management only, claims Duke.

Second on the CM list is Ebasco with $3.4 billion in program management work. These are primary projects where Ebasco has limited financial liability but does not use its own work force on the site. Morrison-Knudsen, Jacobs Engineering and Parsons filled in the remaining top manager slots, all taking over $2 billion worth of projects under their supervision.

One of the largest construction managers working on a limited liability basis was Burns and Roe, Inc., Oradell, N.J., which designed, engineered and managed the construction of $1.7 billion worth of work. Another large manager working primarily on a fee basis was Barton-Malow Co., Detroit, which

Top 400

RANK	FIRM	1980 CONTRACTS ($ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY									ENR SUBSCRIBERS
1	Bechtel Group, Inc., San Francisco, Calif.	10,615.0	8,493.0	✓	✓	✓	✓	✓	✓	✓	✓	✓	1,419
2	Brown & Root, Inc., Houston, Tex.	10,144.7	970.4	✓	✓	✓	✓	✓	✓	✓	✓	✓	487
3	The Parsons Corp., Pasadena, Calif. (a)	9,423.0	8,283.0	✓	✓	✓	✓	✓	✓	..	✓	✓	301
4	Fluor Corp., Irvine, Calif. (b)	9,133.7	4,978.7	✓	✓	✓	..	✓	✓	✓	✓	✓	685
5	Foster Wheeler Corp., Livingston, N.J.	4,600.0	2,800.0	✓	✓	✓	..	..	..	..	✓	✓	87
6	Morrison-Knudsen Co., Inc., Boise, Idaho (c)	4,348.7	2,418.3	✓	✓	✓	✓	✓	✓	✓	✓	✓	430
7	C-E Lummus, Bloomfield, N.J.	4,300.0	2,700.0	✓	..	✓	..	..	..	✓	✓	✓	50
8	Ebasco Services Inc., New York, N.Y.	3,711.3	215.4	..	✓	✓	..	✓	✓	✓	✓	✓	320
9	Jacobs Engineering Group Inc., Pasadena	3,634.9	1,170.0	✓	..	✓	..	..	..	✓	✓	✓	50
10	The M.W. Kellogg Co., Houston, Tex. (d)	3,000.0	1,856.0	..	..	✓	..	..	..	..	✓	✓	112
11	Raymond International Inc., Houston (e)	2,718.9	1,395.4	✓	✓	✓	✓	✓	✓	✓	✓	✓	271
12	The Rust Engineering Co., Birmingham, Ala.	2,567.0	600.0	✓	✓	✓	..	..	..	✓	✓	✓	79
13	Dravo Corp., Pittsburgh, Pa. (f)	2,393.5	891.3	✓	✓	✓	..	✓	..	..	✓	✓	276
14	Turner Construction Co., New York, N.Y.	2,237.3	294.7	✓	✓	..	..	..	..	✓	✓	..	361
15	J.A. Jones Construction Co., Charlotte, N.C.	2,137.9	41.0	✓	✓	✓	✓	..	✓	✓	✓	..	229
16	Guy F. Atkinson Co., S. San Francisco (g)	2,137.3	1,224.2	✓	✓	✓	✓	✓	✓	✓	✓	..	166
17	C.F. Braun & Co., Alhambra, Calif. (h)	2,130.0	1,980.0	✓	✓	✓	..	..	..	..	✓	✓	67
18	J. Ray McDermott & Co., Inc., New Orleans (i)	1,806.0	875.0	..	✓	✓	..	✓	..	✓	..	✓	101
19	Burns and Roe, Inc., Oradell, N.J.	1,677.6	22.4	..	✓	✓	..	..	..	..	✓	✓	135
20	The Austin Co., Cleveland, Ohio	1,482.0	374.6	✓	✓	✓	..	.	✓	✓	✓	✓	120
21	Blount International, Ltd., Montgomery, Ala.	1,366.0	44.0	✓	✓	✓	..	..	..	✓	✓	✓	54
22	Davy Inc., Cleveland, Ohio (j)	1,164.1	386.2	✓	✓	✓	..	✓	..	✓	✓	✓	158
23	Barton-Malow, Detroit, Mich.	1,154.3	0	✓	..	✓	..	..	..	✓	✓	..	24
24	Stearns-Roger Corp., Denver, Colo.	1,151.4	141.6	✓	✓	✓	..	..	..	✓	✓	✓	145
25	Peter Kiewit Sons', Inc., Omaha, Neb.	1,113.9	152.8	✓	✓	✓	✓	✓	✓	✓	..	..	240

Figures include prime construction contracts, shares of joint ventures, subcontracts, design-construct, program and construction management. Parent company's total includes subsidiaries. Design-construct contracts included at erected value of plant including installed equipment. Program and construction management contracts included at erected value of project managed.

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The Top 400 — Program and construction managers *continued*

RANK	FIRM	MANAGEMENT CONTRACTS IN $ MILLIONS TOTAL	FOREIGN
36	Stuart Intl., Ltd., Montgomery, Ala	120.0	0
37	Howard Phelps Const. Co., Greeley, Colo.	114.0	0
38	Atlas Construction Co., Stamford, Conn.	106.0	0
39	Majestic Builders Corp., Chevy Chase, Md.	104.0	0
40	Dick Corp., Pittsburgh, Pa.	97.0	0
41	Yerxon Inc., Westfield, N.J.	91.5	0
42	The Rust Engr. Co., Birmingham, Ala.	85.0	10.0
43	Gospel Outlook, Inc., Indianapolis, Ind.	81.0	0
44	Stolte Inc., Los Angeles, Calif.	77.9	77.9
45	The John W. Cowper Co., Inc., Buffalo, N.Y.	75.6	0
46	Leon D. DeBottiatio & Sons, Slocust, N.Y.	74.0	65.0
47	John G. Rubin Const. Co., Akron, Ohio	72.0	0
48	Stmeo Const. Co., Providence, R.I.	71.0	0
49	PCL Construction, Ltd., Denver, Colo.	70.0	62.3
50	The A. Epstein Sons, Inc., Chicago, Ill.	67.3	48.1
51	Sollitt Const. Co., South Bend, Ind.	67.0	0
52	Crawford & Russell, Inc., Stamford, Conn.	65.0	35.0
53	Townsend & Bottum, Ann Arbor, Mich.	64.4	26.6
54	Chanen Construction Co., Inc., Phoenix	61.5	0
55	HKCO, Inc., New York, N.Y.	61.0	4.0
56	Tawa & Wiesk, Inc., Michigan City, Ind.	60.7	0
57	J.R. Porter Const., Inc., Phoenix, Ariz.	57.0	0
58	Olsen Construction Co., Lincoln, Neb.	56.0	0
59	Cunningham-Limp Co., Birmingham, Ala.	50.1	n.a.
60	The Welling-Turner Contracting Co., Baltimore	48.8	0
61	BE&K, Inc., Birmingham, Ala.	45.0	0
62	Ragnar Benson, Inc., Park Ridge, Ill.	45.0	0
63	John W. Ryan Const. Co., Inc., N.Y.C.	43.5	0
64	Okland Const. Co., Salt Lake City, Utah	43.2	0
65	David J. Kasting Co., Villanova, Pa.	39.8	0

signed to manage $1 billion worth of projects, including a $900-million auto plant for General Motors Corp.

Most contractors were able to hold heir own against inflation and stiffer competition caused by the overall downturn in heavy construction markets. The average net profit as a percent of year-end revenues was 3.6%. This equals the profit rate measured in 1979 for the 400 group but is far below the 6.4% of revenues averaged in 1977. Fewer firms, however, reported losses in 1980, with only 2% of the responding companies operating in the red for domestic work compared to 6% in 1979 and 9% in 1978.

Putting it together. ENR's 18th annual report on the 400 largest U.S. contractors is based on a survey mailed to over 2,500 contractors. Firms are ranked according to their response. The total volume of new domestic and foreign contracts determines a firm's rank on The Top 400 list and excludes contracts for design, engineering or studies. It includes:

- Prime contracts awarded the firms by the owner.
- The firm's share of joint venture contracts.
- Subcontracts received from other contractors.
- Design and construction contracts
- The value of heavy installed machinery.
- The erected dollar value of program general management and/or construction management contracts.

For the first time this year, ENR includes the dollar value of construction management contracts in its ranking of The Top 400 firms. This may cause some rankings to appear inflated compared to last year's reported figure. Also, due to the difficulty in defining the terms of construction management, some ambiguity remains in the survey. Construction management figures include firms with total financial responsibility for the project, in much the same way as a general contractors, as well as firms with limited financial liability. □

Top 25 general building contractors

RANK	FIRM	1980 CONTRACTS ($ MILLIONS) TOTAL	CM
1	Caddell Corp.—J.W. Bateson Co.—Frank J. Rooney Co., Dallas Tex.	978.0	0
2	HCB Contractors, Dallas, Tex.	508.1	20.1
3	HBE Corp., St. Louis, Mo.	384.7	0
4	Charles Pankow, Inc., Altadena, Calif.	319.0	0
5	Leon D. DeBottiatio Const. Corp., cement, N.Y.	241.5	74.0
6	Dinwiddie Const. Co., Inc., San Francisco	194.0	30.0
7	Santa Fe Engineers, Inc., Lancaster, Calif.	173.2	
8	Byron-Shaw, Inc., Houston, Tex.	169.6	24.5
9	Inland Construction, Inc., Chicago, Ill.	169.0	0
10	McDrogor Const. Co., Inc., Houston	154.0	0
11	HKCO, Inc., New York, N.Y.	153.0	61.0
12	Bank Building Corp., St. Louis, Mo.	150.3	136.7
13	Yerxon, Inc., Westfield, N.J.	141.5	91.5
14	Bellew Const. Co., Inc., Seattle, Wash.	139.5	0
15	CMMI Construction, Inc., Rockville, Md.	137.0	0
16	Harvey Construction Co., Houston, Tex.	136.1	0
17	Gervais F. Favrot Co., Inc., New Orleans	134.8	0
18	Metropolitan Structures, Inc., Chicago	134.0	0
19	J.E. Dunn Const. Co., Kansas City, Mo.	133.0	0
20	Manhattan Const. Co., Muskogee, Okla.	127.0	0
21	Stolte Inc., Los Angeles, Calif.	126.6	77.9
22	H.A. Lott, Inc., Houston, Tex.	112.9	0
23	Vance Construction, Inc., Dallas, Tex.	112.8	0
24	Forest City Dillon, Inc., Brooklyn, Ohio	110.0	0
25	Carson Const. Co., Inc., Reno, Nev.	106.4	2.8

Includes general building contractors only. Excludes diversified firms that also do manufacturing, process plants etc.

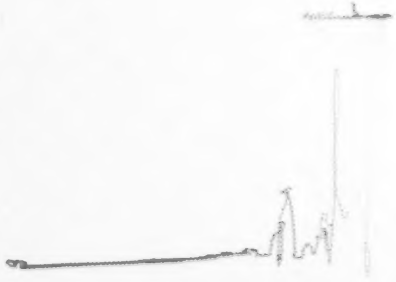
Top 25 heavy contractors

RANK	FIRM	1980 CONTRACTS ($ MILLIONS) TOTAL	CM
1	Townsend & Bottum, Inc., Ann Arbor, Mich.	436.1	64.4
2	Granite Const. Co., Watsonville, Calif.	339.1	0
3	Schlevens Const. Co., Secaucus, N.J.	202.6	0
4	T.L. James & Co., Inc., Ruston, La.	187.1	0
5	Great Lakes Intl., Inc., Oak Brook, Ill.	176.5	0
6	Riedel International, Inc., Portland, Ore.	159.2	1.5
7	Lunda Const. Co., Black River Falls, Wis.	138.4	0
8	Kaiser Corp., San Bernardino, Calif.	124.3	0
9	Bloemhaar Const. Co., Inc., E. Lansing, Mich.	120.0	0
10	The Hardaway Co., Columbus, Ga.	116.5	0
11	Holloway Const. Co., Wixom, Mich.	85.5	0
12	Rich-Riley Const. Co., Inc., Goshen, Ind.	82.0	0
13	C.W. Matthews Cont. Co., Inc., Marietta, Ga.	81.4	0
14	Harry Claisorbe Co., Astoria, Ore.	76.0	0
15	Washington Const. Corp., Missoula, Mont.	76.0	0
16	M. DeBottiatio Const. Co., Quincy, Mass.	71.6	0
17	Williams Bros. Const. Co., Inc., Houston	64.4	0
18	Vecellio & Grogan, Inc., Beckley, W. Va.	64.7	0
19	Massman Const. Co., Kansas City, Mo.	64.4	0
20	National Engineering & Cont. Co., Stronguille, Calif.	64.0	0
21	Arvle Brothers, Inc., New Britain, Conn.	53.0	0
22	A. Teichert & Son, Inc., Sacramento	51.9	0
23	Jack B. Parson Const. Co., Ogden, Utah	50.1	0
24	M & B Contracting Corp., Alpena, Mich.	48.6	0
25	A. Bish Steers, Inc., New York, N.Y.	48.9	0

Includes heavy contractors only. Excludes firms that also do general building, manufacturing and process plants etc.

The ENR 400 RANK	FIRM	1989 CONTRACTS ($ BILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY	ENR SUBSCRIBERS
26	Tishman Realty & Const. Co., Inc., New York	1,806.5	0	✓ ... ... ✓ ✓ ✓ ...	58
27	Fru-Con Corp., St. Louis, Mo.	1,059.0	11.8	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	110
28	Morse/Diesel, Inc., New York, N.Y.	1,031.5	0	✓ ... ✓ ... ... ✓ ✓ ...	47
29	Perini Corp., Framingham, Mass.	1,001.0	45.0	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	199
30	Centex Corp., Dallas, Tex.	978.0	0	... ... ✓	50
31	CBI Industries, Oak Brook, Ill. (k)	942.0	401.0	... ✓ ✓ ... ✓ ... ... ✓ ✓	116
32	Catalytic, Inc., Philadelphia, Pa.	850.0	270.0	✓ ✓ ✓ ... ... ✓ ✓	115
33	Dillingham Corp., Honolulu, Hawaii (l)	846.4	306.0	... ✓ ✓ ✓ ✓ ✓ ✓ ✓ ...	131
34	United Engineers & Constructors Inc., Philadelphia, Pa.	821.0	0	✓ ✓ ✓ ... ... ✓ ✓ ✓ ✓	233
35	Gilbane Building Co., Providence, R.I.	787.7	0	✓ ... ✓ ... ✓ ✓ ✓ ✓ ...	121
36	PCL Construction, Ltd., Denver, Colo.	736.7	651.2	✓ ✓ ✓ ✓ ... ✓ ✓ ✓ ...	27
37	McCarthy Brothers Co., St. Louis, Mo. (m)	714.0	25.0	✓ ... ... ✓ ... ... ✓ ✓ ...	43
38	Ford, Bacon & Davis, Inc., Monroe, La. (n)	686.2	361.3	✓ ✓ ✓ ✓ ... ... ✓ ✓	37
39	The Badger Co., Inc., Cambridge, Mass.	665.0	335.0	... ... ✓ ... ... ✓ ✓	24
40	BE&K, Inc., Birmingham, Ala.	658.5	0	✓ ✓ ✓ ... ... ✓ ✓ ✓	43
41	Stone & Webster Engineering Corp., Boston*	650.0	260.0	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	487
42	The Heyward-Robinson Co., Inc., New York	616.0	110.0	✓ ... ✓ ... ... ✓ ✓	21
43	Austin Industries, Inc., Dallas, Tex. (o)	561.9	0	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ...	40
44	HCB Contractors, Dallas, Tex. (p)	528.1	26.1	... ... ✓ ✓ ✓	70
45	The George Hyman Const. Co., Bethesda, Md. (q)	507.6	0	✓ ✓ ✓ ... ... ✓ ✓ ✓ ...	107
46	Barnard and Burk, Inc., Pasadena, Calif.	494.0	1.0	✓ ... ✓ ... ✓ ... ✓ ✓ ✓	10
47	Huber, Hunt & Nichols, Inc., Indianapolis, Ind.	475.0	0	✓ ... ✓ ✓ ... ✓ ✓ ✓ ...	38
48	Payne and Keller Corp., Houston, Tex. (r)	474.0	0	✓ ... ✓ ✓ ... ✓	13
49	Fish Engineering & Const., Inc., Houston	460.1	25.0	... ✓ ✓ ... ✓ ... ... ✓	12
50	Dick Corp., Pittsburgh, Pa.	457.0	0	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	33
51	Mellon-Stuart Co., Pittsburgh, Pa. (s)	440.2	0	✓ ✓ ✓ ✓ ... ... ✓ ✓ ...	32
52	Townsend & Bottum, Inc., Ann Arbor, Mich.	436.1	26.6	... ✓ ... ... ✓ ...	73
53	Day & Zimmermann, Inc., Philadelphia, Pa.	410.0	135.0	✓ ... ✓ ... ... ✓ ✓ ✓ ✓	22
54	H.B. Zachry Co., San Antonio, Tex.	394.1	17.0	✓ ✓ ✓ ✓ ✓ ✓ ✓	49
55	HBE Corp., St. Louis, Mo. (t)	384.7	0	... ... ✓ ... ✓	66
56	Swinerton & Walberg Co., San Francisco	361.2	0	✓ ... ✓ ... ✓ ✓ ✓	33
57	Procon International, Inc., Des Plaines, Ill.	340.7	92.0	✓ ... ✓ ... ... ✓ ✓	36
58	Granite Construction Co., Watsonville, Calif.	339.1	0	... ✓ ... ✓ ✓	63
59	George A. Fuller Co., New York, N.Y.	331.9	0	✓ ... ... ✓ ✓ ✓ ...	49
60	S.J. Groves & Sons Co., Minneapolis, Minn.	325.2	8.1	... ✓ ✓ ✓ ... ✓	116
61	Yeargin Const. Co., Inc., Greenville, S.C.	320.9	0	✓ ✓ ✓ ... ✓ ✓ ✓ ✓ ...	27
62	Charles Pankow, Inc., Altadena, Calif.	319.0	0	... ... ✓ ... ✓	14
63	J.S. Alberici Const. Co., Inc., St. Louis, Mo.	315.0	0	✓ ✓ ... ✓ ... ... ✓ ✓ ...	17
64	C.L. Peck Contractor, Los Angeles, Calif.	309.0	0	✓ ... ... ✓	17
65	Wright Schuchart, Inc., Seattle, Wash. (u)	292.2	0	✓ ✓ ✓ ... ... ✓	14
66	Sundt Corp., Tucson, Ariz. (v)	280.9	14.8	✓ ✓ ✓ ✓ ... ✓ ✓ ✓ ...	55
67	Clyes Corp., Atlanta, Ga.	279.0	3.2	... ✓ ✓ ... ... ✓	16
68	Pittsburgh-Des Moines Corp., Pittsburgh, Pa.	276.0	9.9	✓ ✓ ✓ ✓ ... ✓ ✓ ... ✓	64
69	Harrison Western Corp., Lakewood, Colo. (w)	273.4	180.0	... ✓ ✓ ✓ ✓ ✓ ✓ ... ✓	17
70	W.S. Bellows Construction Corp., Houston	261.0	0	✓ ... ... ✓	23
71	Crawford & Russell, Inc., Stamford, Conn.	258.5	118.0	✓ ... ... ✓ ✓	21
72	Del E. Webb Corp., Phoenix, Ariz.	254.5	0	✓ ... ... ✓ ✓ ...	23
73	Leon D. DeMatteis Const. Corp., Elmont, N.Y.	241.5	73.5	... ... ✓ ✓ ...	3
74	Kraus-Anderson, Inc., Minneapolis, Minn.	227.2	0	✓ ✓ ... ... ✓ ✓ ...	16
75	Gust. K. Newberg Const. Co., Chicago, Ill.	227.0	0	✓ ✓ ✓ ✓ ... ✓ ✓	47

** ENR estimate for general contracting, excludes joint ventures, subcontracts and program or construction management.*



RANK	FIRM	1988 CONTRACTS (IN $ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY	ENR SUBSCRIBERS
76	World Wide Const. Services, Inc., Wichita, Kan.	227.0	0	.. ✓ ✓ .. .. ✓	4
77	Zapata Constructors, Inc., Houston, Tex. (x)	223.6	0	✓ .. ✓ ✓ ✓ ✓ ✓ ✓ ..	16
78	The Litwin Cos., Houston, Tex.	220.0	48.0	.. .. ✓ .. .. .. ✓ .. ✓	0
79	Kitchell Contractors, Inc., Phoenix, Ariz.	215.1	0	✓ .. .. ✓ ✓ ..	15
80	BOECON Corp., Renton, Wash.	214.0	0	✓ ✓ ✓ .. .. .. ✓	34
81	The L.E. Myers Co. Group, Chicago, Ill.	212.9	11.0	*Utility contractor* ✓ ✓	11
82	The Ortloff Corp., Midland, Tex.	212.0	0	✓ .. ✓ .. .. ✓	9
83	The Whiting-Turner Contracting Co., Baltimore	208.7	0	✓ ✓ ✓ ✓ .. .. ✓ ✓ ..	58
84	Hoffman Construction Co., Portland, Ore.	207.8	0	✓ ✓ ✓ .. ✓ ✓ ✓ ✓ ..	23
85	Schiavone Construction Co., Secaucus, N.J.	202.6	0	.. .. .. ✓ ✓	29
86	Bristol Steel & Iron Works, Inc., Bristol, Va.	202.1	0	✓ ✓ ✓ ✓ .. .. ✓	38
87	Ernst W. Hahn, Inc., El Segundo, Calif.	200.8	0	.. .. ✓ ✓ ..	7
88	Oscar J. Boldt Const. Co., Appleton, Wis.	199.6	0	✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓ ✓	19
89	Hensel Phelps Const. Co., Greeley, Colo.	196.0	0	✓ ✓ ✓ ✓ .. .. ✓ ✓ ..	119
90	Dinwiddie Const. Co., Inc., San Francisco	194.0	0	.. .. ✓ ✓ ..	3
91	Paschen Contractors, Inc., Chicago, Ill.	192.0	0	✓ .. .. ✓ .. ✓ ✓	9
92	McDevitt & Street Co., Charlotte, N.C.	190.2	0	✓ .. ✓ .. .. .. ✓ ✓ ..	26
93	T.L. James & Co., Inc., Ruston, La.	187.1	0	.. ✓ .. ✓ ✓ ✓	15
94	Great Lakes International, Inc., Oak Brook, Ill. (y)	176.5	77.6	.. .. .. ✓ ✓	22
95	Avery Mays Construction Co., Dallas, Tex.	176.0	0	✓ .. ✓ .. .. .. ✓ ✓ ..	12
96	Santa Fe Engineers, Inc., Lancaster, Calif.	173.2	0	.. .. ✓	10
97	Pullman Power Products, Williamsport, Pa. (z)	170.0	30.0	.. ✓ ✓ .. .. ✓	26
98	Spaw-Glass, Inc., Houston, Tex. (aa)	169.6	0	.. .. ✓ ✓ ..	15
99	Inland Construction Inc., Chicago, Ill.	169.0	0	.. .. ✓ .. ✓	6
100	The Carlson Group, Inc., Cochituate, Mass.	167.0	43.0	✓ .. ✓ ✓ ✓ ✓ ✓ ✓ ✓	20
101	Sully-Miller Contracting Co., Long Beach, Calif.	166.9	0	.. .. ✓ ✓ .. ✓	6
102	M.A. Mortenson Co., Minneapolis, Minn.	165.5	0	✓ ✓ ✓ .. .. ✓ ✓ ✓ ..	15
103	Arkel, Ltd., Baton Rouge, La.	165.0	69.0	✓ .. ✓ .. .. ✓ ✓	1
104	The John W. Cowper Co., Inc., Buffalo, N.Y.	164.5	0	✓ ✓ ✓ ✓ .. ✓ ✓ ✓ ✓	17
105	Robert E. McKee, Inc., El Paso, Tex.	164.0	0	✓ .. ✓ .. .. .. ✓ ✓ ..	31
106	Vinnell Corp., Alhambra, Calif.	162.1	153.1	.. ✓ .. ✓ ✓ ✓ ✓	11
107	Olson Construction Co., Lincoln, Neb.	161.7	0	✓ ✓ ✓ .. .. .. ✓ ✓ ..	13
108	Linbeck Construction Corp., Houston, Tex.	159.2	0	.. .. ✓ ✓	28
109	Riedel International, Inc., Portland, Ore.	159.0	1.5	.. ✓ .. ✓ ✓ ✓ .. .. ✓	1
110	Walbridge Aldinger Co., Livonia, Mich.	159.0	16.0	✓ ✓ ✓ .. .. .. ✓ ✓ ..	9
111	The Rodgers Companies, Inc., Nashville, Tenn. (bb)	158.4	0	✓ .. ✓ ✓ .. ✓ ✓ ✓ ✓	78
112	The Dickerson Group, Inc., Monroe, N.C. (cc)	158.0	0	✓ .. ✓ ✓ ✓ ✓ ✓ .. ✓	9
113	Slattery Associates, Inc., Maspeth, N.Y. (dd)	155.5	0	.. ✓ ✓ ✓ ✓	54
114	McGregor Construction Co., Inc., Houston	154.0	0	.. .. ✓	3
115	Pepper Construction Co., Chicago, Ill.	154.0	34.0	✓ .. ✓ .. ✓ .. ✓	16
116	NICO, Inc., New York, N.Y.	153.0	9.0	.. .. ✓ ✓ ..	9
117	Mills & Jones Const. Co., St. Petersburg, Fla.	152.0	0	✓ ✓ ✓ .. .. ✓ ✓ ✓ ..	8
118	Brinderson Corp., Irvine, Calif.	150.3	0	✓ ✓ ✓ .. .. .. ✓	8
119	Bank Building Corp., St. Louis, Mo.	150.3	0	.. .. ✓ ✓ ✓	38
120	Blake Const. Co., Inc., Washington, D.C.	148.2	0	✓ .. .. ✓	20
121	Benjamin F. Shaw Co., Wilmington, Del.	146.4	0	.. ✓ ✓	8
122	Ralph Rogers & Co., Inc., Bloomington, Ind.	146.0	0	.. .. .. ✓ ✓ ✓ ✓ ✓ ..	4
123	Berry Contracting, Inc., Corpus Christi, Tex.	145.0	0	✓ .. ✓ ✓ ✓ .. .. .. ✓	2
124	Cunningham-Limp Co., Birmingham, Mich.	143.2	11.8	✓ ✓ ✓ .. .. .. ✓ ✓ ✓	6
125	L.F. Driscoll Co., Bala Cynwyd, Pa.	143.2	0	.. .. ✓ ✓ ..	2

The ENR 400

RANK	FIRM	1988 CONTRACTS (IN $ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY								ENR SUBSCRIBERS
126	John G. Ruhlin Const. Co., Akron, Ohio	142.2	0	✓	✓	✓	✓		✓	✓	✓		25
127	Torcon, Inc., Westfield, N.J.	141.5	0							✓	✓		6
128	Ragnar Benson, Inc., Park Ridge, Ill.	141.0	0	✓						✓	✓	✓	11
129	Sellen Construction Co., Inc., Seattle, Wash.	139.5	0							✓			9
130	Schumacher & Forelle, Inc., Great Neck, N.Y.	139.0	28.0	✓		✓				✓	✓	✓	6
131	Lunda Const. Co., Black River Falls, Wis.	138.4	0				✓						7
132	Rudolph & Sletten, Inc., Mountain View, Calif.	138.0	0	✓		✓				✓	✓	✓	32
133	OMNI Construction, Inc., Rockville, Md.	137.0	0							✓			10
134	Harvey Construction Co., Houston, Tex.	136.1	0							✓			7
135	The Atlas Construction Co., Stamford, Conn.	136.0	0	✓		✓				✓	✓	✓	8
136	Ottmans Const. Co., Monterey Park, Calif.	135.0	0	✓						✓		✓	2
137	Gervais F. Favrot Co., Inc., New Orleans, La.	134.8	0							✓			3
138	Metropolitan Structures, Inc., Chicago, Ill.	134.0	0							✓			1
139	Ira H. Hardin Co., Atlanta, Ga.	133.0	0	✓						✓			5
140	J.E. Dunn Const. Co., Kansas City, Mo.	133.0	0							✓			31
141	Baugh Construction Co., Seattle, Wash.	132.3	0	✓						✓	✓		16
142	Daniel J. Keating Co., Villanova, Pa.	128.4	0	✓	✓				✓	✓	✓		8
143	R.E. Dailey & Co., Southfield, Mich.	128.2	0			✓				✓	✓		16
144	Yonkers Contracting Co., Inc., Yonkers, N.Y.	127.0	0		✓		✓	✓	✓	✓			12
145	Manhattan Const. Co., Muskogee, Okla.	127.0	0							✓			27
146	Stolte Inc., Los Angeles, Calif.	126.6	77.8							✓	✓	✓	8
147	Kasler Corp., San Bernardino, Calif.	124.3	0				✓		✓				6
148	The Koll Co., Newport Beach, Calif.	124.0	0	✓						✓			8
149	Geupel DeMars, Inc., Indianapolis, Ind.	123.8	0	✓						✓	✓	✓	29
150	Algernon Blair Intl., Inc., Montgomery, Ala. (ff)	123.2	15.0	✓	✓	✓			✓	✓	✓		18
151	Green Construction Co., Des Moines, Iowa	123.0	25.0		✓		✓		✓	✓		✓	32
152	Pavarini Construction Co., Greenwich, Conn.	121.6	16.9	✓						✓			3
153	Pacific Const. Co., Ltd., Honolulu, Hawaii	120.3	0				✓			✓			6
154	Eisenhour Const. Co., Inc., E. Lansing, Mich.	120.0	0				✓		✓				5
155	John S. Pike & Son, Inc., Rochester, N.Y. (gg)	118.6	0	✓	✓	✓	✓	✓	✓	✓		✓	12
156	The Hardaway Co., Columbus, Ga. (hh)	116.5	0		✓		✓	✓	✓				41
157	Pickens-Bond Const. Co., Little Rock, Ark.	115.3	0	✓					✓	✓			3
158	Harbert Const. Corp., Birmingham, Ala.	113.9	6.8	✓	✓	✓	✓	✓	✓	✓		✓	39
159	H.A. Lott, Inc., Houston, Tex.	112.9	0							✓			7
160	Vanco Construction, Inc., Dallas, Tex.	112.8	0							✓		✓	5
161	Hood Corp, Whittier, Calif.	112.5	15.0					✓		✓			6
162	The Lathrop Co., Toledo, Ohio	112.0	0	✓			✓			✓		✓	15
163	Rauenhorst Corp, Bloomington, Minn.	111.4	0	✓		✓				✓		✓	12
164	Tidewater Construction Corp., Norfolk, Va.	111.0	0	✓		✓	✓	✓					22
165	Cianbro Corp., Pittsfield, Me.	110.7	0		✓	✓	✓	✓					25
166	Forest City Dillon, Inc., Brooklyn, Ohio	110.0	0							✓			10
167	Grunau Company, Inc., Milwaukee, Wis.	110.0	0	✓	✓	✓			✓	✓		✓	19
168	Carl N. Swenson Co., Inc., San Jose, Calif.	110.0	0	✓		✓			✓	✓	✓	✓	8
169	Boh Bros. Const. Co., Inc., New Orleans, La.	109.5	0		✓	✓	✓	✓	✓	✓		✓	6
170	Johnson Bros. Corp., Litchfield, Minn.	108.7	3.0	✓	✓	✓	✓	✓	✓		✓	✓	29
171	Frank Briscoe Co., Inc., Roseland, N.J.	107.5	0	✓					✓	✓	✓		58
172	Continental Heller Corp., Sacramento, Calif.	106.8	0	✓		✓			✓	✓		✓	21
173	Corrao Construction Co., Inc., Reno, Nev.	106.8	0							✓	✓	✓	2
174	M.H. Golden Const. Co., San Diego, Calif.	106.4	0	✓					✓	✓			8
175	The Longcrier Co., Dallas, Tex.	106.1	0	✓						✓			3

RANK	FIRM	NEW CONTRACTS ($ BILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY								ENR SUBSCRIBERS
175	Rexco Industries, Inc., San Juan, Puerto Rico	105.0	3.0	✓	✓	✓	✓	..	✓	✓	..	..	20
177	W.E. O'Neil Construction Co., Chicago, Ill.	104.5	0	✓	✓	✓	✓	..	..	✓	..	..	20
178	Al Cohen Construction Co., Denver, Colo.	104.3	0	✓	..	..	..	..	..	✓	✓	✓	4
179	Majestic Builders Corp., Chevy Chase, Md.	104.0	0	..	..	..	..	..	..	✓	✓	..	5
180	Betson-Cook Co., West Point, Ga. (II)	103.8	0	✓	..	..	..	..	✓	✓	..	..	12
181	Robert L. Turchin, Inc., Miami Beach, Fla.	103.5	0	..	..	..	..	..	..	✓	..	..	2
182	Bor-Son Const., Inc., Minneapolis, Minn.	102.7	0	✓	..	✓	..	..	..	✓	..	..	7
183	Weitz Brothers, Inc., Des Moines, Iowa (II)	102.4	0	✓	..	✓	..	..	..	✓	..	..	14
184	Jones Brothers Const. Corp., Beverly Hills, Calif.	101.0	0	..	..	..	..	..	..	✓	✓	..	7
185	R.B. Potashnick & Assoc., Cape Girardeau, Mo.	101.0	0	✓	✓	..	✓	✓	✓	..	..	..	12
186	McDowell Enterprises, Inc., Nashville, Tenn.	100.8	0	..	..	..	✓	..	..	✓	..	..	4
187	Temple Associates, Inc., Diboll, Tex.	100.8	0	✓	..	✓	..	..	..	✓	..	✓	5
188	J.M. Foster Inc., Gary, Ind.	100.8	0	✓	✓	✓	✓	✓	..	..	..	..	24
189	Rentenbach Engineering Co., Knoxville, Tenn.	99.8	0	✓	..	..	..	..	..	✓	✓	✓	32
190	Stoffel & Tillotson, Glenside, Pa.	99.5	0	..	..	..	..	..	..	✓	..	..	2
191	Chanen Construction Co., Inc., Phoenix, Ariz.	99.1	0	✓	..	✓	..	..	✓	✓	✓	✓	4
192	Paul N. Howard Co., Greensboro, N.C.	98.3	5.9	✓	✓	✓	✓	✓	✓	✓	✓	..	21
193	Beers Construction Co., Atlanta, Ga.	97.5	0	..	..	..	..	..	..	✓	..	..	5
194	Moran Company, Alhambra, Calif.	97.3	8.9	✓	..	..	..	..	..	✓	..	..	5
195	Tutor-Saliba, Encino, Calif.	96.4	0	..	✓	..	..	..	..	✓	..	..	3
196	The A. Epstein Cos., Inc., Chicago, Ill.	95.7	63.5	✓	..	✓	..	..	✓	✓	✓	✓	6
197	M.J. Brock & Sons, Los Angeles, Calif.	95.4	0	✓	..	..	..	..	..	✓	..	..	4
198	P.J. Dick Contracting & Trumbull Corp., Pittsburgh, Pa.	94.5	0	✓	✓	✓	✓	..	✓	✓	✓	..	10
199	Foster & Creighton Co., Nashville, Tenn.	94.0	7.0	✓	✓	✓	✓	✓	✓	✓	✓	..	10
200	The Poole & Kent Co., Baltimore, Md.	91.1	2.0	✓	✓	✓	..	..	✓	✓	..	✓	9
201	Dimeo Construction Co., Providence, R.I.	91.0	0	✓	..	✓	..	..	..	✓	✓	..	29
202	Calumet Construction Corp., Hammond, Ind.	90.4	0	✓	✓	✓	..	..	..	✓	✓	✓	8
203	Don Love, Inc., Houston, Tex.	90.0	0	✓	..	✓	..	..	..	..	..	✓	1
204	Sunrise Co., Palm Desert, Calif.	90.0	0	..	..	..	..	..	..	✓	..	..	0
205	Great Southwest Corp., Clearwater, Fla.	89..	0	..	..	..	..	..	✓	✓	..	..	4
206	Mars Associates, Inc. & Normal Const. Corp., New Rochelle, N.Y.	89.0	0	..	..	..	..	..	..	✓	✓	..	1
207	Keller Construction Co., Inc., El Monte, Calif.	88.4	0	✓	..	..	..	..	..	✓	..	..	3
208	Kent Nowlin Const., Inc., Albuquerque, N.M.	87.8	0	..	..	✓	✓	..	..	..	..	..	11
209	Morganti, Inc., Ridgefield, Conn.	87.8	0	✓	✓	✓	..	..	..	✓	..	..	7
210	Danis Industries Corp., Dayton, Ohio	87.1	0	✓	..	✓	✓	..	✓	✓	..	✓	27
211	Schiltt Const. Co., Inc., South Bend, Ind.	87.0	0	✓	✓	✓	..	..	..	✓	✓	✓	11
212	Pizzagalli Const. Co., S. Burlington, Vt.	87.0	0.6	✓	✓	✓	✓	..	..	✓	✓	✓	83
213	Holloway Construction Co., Wixom, Mich.	85.5	0	..	..	..	✓	✓	✓	..	..	..	21
214	Utley James, Inc., Pontiac, Mich.	85.3	0	✓	✓	✓	..	..	..	✓	✓	✓	0
215	Daniel O'Connell's Sons, Inc., Holyoke, Mass.	84.2	0	✓	✓	..	✓	..	..	✓	✓	✓	10
6	Vappi & Company, Inc., Cambridge, Mass.	84.1	0	✓	..	✓	..	..	..	✓	✓	..	16
217	Linclay Corp., St. Louis, Mo.	84.0	0	..	..	..	..	..	..	✓	✓	..	5
218	Robert G. Fisher Co., Fresno, Calif.	83.0	0	✓	✓	✓	..	..	✓	✓	..	..	27
219	Tonn & Blank, Inc., Michigan City, Ind.	83.0	0	✓	..	✓	..	..	..	✓	✓	✓	4
220	Pittman Const. Co., Inc., New Orleans, La.	82.8	0	✓	✓	..	..	..	..	✓	..	..	2
221	Nielsen Construction Co., San Diego, Calif.	82.1	0	✓	..	..	..	..	..	✓	..	..	4
222	Rieth-Riley Const. Co., Inc., Goshen, Ind.	82.0	0	..	..	..	✓	..	✓	..	..	..	25
223	C.W. Matthews Cont. Co., Inc., Marietta, Ga.	81.4	0	..	..	..	✓	..	✓	..	..	..	7
224	G.E. Johnson Const. Co., Inc., Colorado Springs, Colo.	80.0	0	✓	✓	✓	..	..	..	✓	..	..	13
225	Todd Building Co., Roseburg, Ore.	79.5	0	✓	..	✓	..	✓	..	✓	✓	..	7

RANK	FIRM	1988 CONTRACTS (IN $ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY								ENR SUBSCRIBERS
226	Universal Construction Co., Decatur, Ala.	79.3	0	✓	..	✓	✓	..	✓	✓	..	✓	12
227	Lease Crutcher Lewis, Redmond, Wash.	78.6	0	..	..	..	..	..	..	✓	✓	..	1
228	H.A. Anderson Co., Portland, Ore.	78.5	0	..	..	..	✓	..	..	✓	..	✓	1
229	F.R. Hoar & Son, Inc., Birmingham, Ala.	78.4	0	..	..	..	..	..	..	✓	..	..	3
230	Suitt Construction Co., Greenville, S.C.	78.3	0	✓	..	✓	..	..	..	✓	✓	..	7
231	The Crouse Group, Linfield, Pa.	78.0	2.0	✓	✓	✓	..	..	..	..	✓	✓	2
232	G.A. & F.C. Wagman, Inc., York, Pa.	77.5	0	..	..	✓	✓	✓	..	✓	..	..	14
233	C.F.W. Const. Co., Inc., Fayetteville, Tenn.	77.4	0	✓	..	✓	✓	..	..	✓	..	..	5
234	Morrison Const. Co., Hammond, Ind. (kk)	77.2	0	✓	✓	✓	..	..	..	..	..	..	16
235	Seppala & Aho Const. Co., Inc., New Ipswich, N.H.	77.1	0	✓		..	..	..	..	✓	..	✓	4
236	Fusco Amatruda Co., New Haven, Conn.	76.4	0	..	..	..	..	..	..	✓	..	..	1
237	Eichleay Corp., Pittsburgh, Pa.	76.3	0	✓	✓	✓	..	..	..	✓	..	✓	14
238	Brasfield & Gorrie, Inc., Birmingham, Ala.	76.1	0	✓	..	✓	..	..	..	✓	..	✓	19
239	English Construction Co., Inc., Altavista, Va.	76.0	0	✓	..	✓	✓	..	..	✓	..	..	7
240	Harry Claterbos Co., Astoria, Ore.	76.0	0	..	..	..	✓	..	✓	..	..	..	1
241	Saturn Const. Co., Inc., White Plains, N.Y.	76.0	0	..	..	..	..	..	..	✓	✓	✓	2
242	Washington Const. Corp., Missoula, Mont.	76.0	0	..	..	..	✓	..	✓	..	..	..	1
243	Donohoe Const. Co., Inc., Washington, D.C.	75.9	0	..	..	..	..	..	..	✓	✓	..	11
244	Ohbayashi America Corp., Los Angeles (ll)	75.6	0	✓	✓	..	✓	✓	✓	✓	..	✓	8
245	Hatzel & Buehler, Inc., Woodbridge, N.J.	75.3	0	✓	✓	✓	✓	✓	✓	✓	..	✓	5
246	Edward M. Crough Co., Rockville, Md.	75.0	0	✓	✓	..	..	..	..	✓	..	..	4
247	C. Rallo Contracting Co., Inc., St. Louis, Mo.	75.0	0	..	..	..	..	..	..	✓	..	..	4
248	Williams & Burrows, Inc., Belmont, Calif. (mm)	75.0	0	✓	✓	✓	..	..	..	✓	..	✓	15
249	Tuttle-White Const., Inc., Altamonte Springs, Fla.	74.5	0	✓	..	..	..	..	..	✓	✓	..	12
250	John T. Brady & Co., Inc., New Rochelle, N.Y.	73.5	0	..	..	..	..	..	..	✓	..	..	3
251	Martin K. Eby Const. Co., Inc., Wichita, Kan. (nn)	73.2	0	✓	✓	✓	✓	✓	✓	✓	✓	..	258
252	Peabody Const. Co., Inc., Boston, Mass.	73.0	0	..	..	..	..	..	..	✓	..	..	3
253	D.R. Allen & Son, Inc., Fayetteville, N.C.	71.7	0	✓	..	✓	✓	✓	✓	✓	..	✓	9
254	M. DeMatteo Const. Co., Quincy, Mass.	71.6	0	..	✓	..	✓	..	✓	..	..	..	5
255	Fenix & Scisson, Inc., Tulsa, Okla.	71.3	0	..	..	✓	..	..	..	..	✓	✓	7
256	Walker Construction Co., Fort Worth, Tex.	71.3	0	✓	..	..	..	..	✓	✓	✓	✓	2
257	Glen Construction Co., Rockville, Md.	71.1	0	..	..	..	..	..	..	✓	..	..	8
258	Mardlen Construction Co., Phoenix, Ariz.	70.6	0	✓	✓	..	..	..	..	✓	✓	..	14
259	L.E. Wentz Co., San Carlos, Calif.	70.1	0	✓	..	✓	..	..	..	✓	..	..	4
260	Hubbard Construction Co., Orlando, Fla. (oo)	69.7	0	..	..	✓	✓	✓	✓	..	..	..	5
261	George Sollitt Const. Co., Wood Dale, Ill.	69.7	0	✓	..	✓	✓	..	..	✓	✓	..	11
262	R.M. Shoemaker Co., Philadelphia, Pa.	69.5	0	..	..	..	..	..	..	✓	..	..	7
263	J.F. White Contracting Co., Newton, Mass.	68.6	0	..	✓	..	✓	✓	✓	✓	..	..	12
264	Vanderson Construction Co., San Jose, Calif.	68.0	0	✓	..	✓	..	..	..	✓	..	✓	2
265	Adolfson & Peterson, Inc., Minneapolis, Minn.	68.0	0	✓	✓	✓	..	..	..	✓	..	✓	6
266	Jos. L. Muscarelle, Inc., Maywood, N.J.	67.0	0	..	..	..	..	..	..	✓	✓	..	4
267	SigmaCon, Orlando, Fla.	67.0	0	..	..	..	..	..	..	✓	..	✓	2
268	Delta Engineering Corp., Houston, Tex.	66.9	11.1	..	..	✓	..	..	..	..	..	✓	6
269	Peabody N.E., Inc., North Easton, Mass.	66.8	0	✓	✓	✓	✓	✓	✓	✓	..	..	3
270	Williams Brothers Const. Co., Inc., Houston	66.4	0	..	..	..	✓	✓	..	..	..	..	2
271	VSL Corp., Los Gatos, Calif.	66.2	1.2	..	..	..	..	..	..	✓	..	✓	28
272	Okland Const. Co., Salt Lake City, Utah	66.2	0	✓	..	..	..	..	✓	✓	✓	..	3
273	Millie & Severson, Inc., Long Beach, Calif.	66.0	0	✓	..	..	..	..	..	✓	..	..	5
274	Dugan & Meyers Const. Co., Inc., Cincinnati	65.6	0	✓	✓	✓	✓	✓	✓	✓	..	..	16
275	The Christman Co., Lansing, Mich.	65.5	0	✓	✓	✓	✓	..	..	✓	✓	✓	1

RANK	FIRM	1988 CONTRACTS ($ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY								ENR SUBSCRIBERS
276	The Haskell Co., Jacksonville, Fla.	65.0	0	✓	..	..	..	..	..	✓	..	✓	4
277	Vecellio & Grogan, Inc., Beckley, W. Va. (pp)	64.7	0	..	..	..	✓	..	✓	..	..	..	3
278	Massman Construction Co., Kansas City, Mo.	64.4	0	..	..	..	✓	✓	..	..	..	..	25
279	J.D. Abrams, Inc., El Paso, Tex.	64.4	0	..	..	✓	✓	✓	✓	..	..	✓	7
280	National Engineering & Contracting Co., Strongsville, Ohio	64.0	0	..	✓	..	✓	..	..	..	..	..	16
281	Bradbury & Stamm Const. Co., Inc., Albuquerque	63.9	0	..	..	..	..	..	..	✓	✓	..	12
282	The Pinkerton and Laws Co., Atlanta, Ga.	63.8	0	✓	..	..	..	..	..	✓	..	..	2
283	McGough Const. Co., Inc., St. Paul, Minn.	63.7	0	✓	..	..	..	..	..	✓	✓	✓	2
284	The Volpe Const. Co., Inc., Malden, Mass.	63.3	0	✓	..	..	..	..	..	✓	✓	..	16
285	Monsanto Enviro-Chem Systems, Inc., St. Louis	63.0	0	..	..	✓	..	..	..	..	..	✓	18
286	Shafer Miller Industries, Inc., Miami, Fla. (qq)	63.0	0	✓	..	✓	..	..	..	✓	..	✓	1
287	The Law Company Inc., Wichita, Kan.	62.6	0	✓	..	..	..	..	..	✓	..	✓	32
288	Nielsons, Inc., Cortez, Colo.	62.3	0	..	✓	✓	✓	..	✓	..	✓	..	8
289	F.P. Lathrop Const. Co., Emeryville, Calif.	62.0	0	..	..	..	..	..	..	✓	✓	✓	7
290	Davidson & Jones, Inc., Raleigh, N.C.	61.7	0	✓	..	..	..	..	..	✓	..	✓	5
291	Brice Building Co., Inc., Birmingham, Ala.	61.4	0	✓	..	..	..	..	..	✓	..	..	7
292	Charter Builders, Inc., Dallas, Tex.	61.3	0	..	..	..	..	..	..	✓	..	✓	8
293	Knutson Const. Co., Minneapolis, Minn.	61.1	0	..	✓	..	..	..	..	✓	..	..	6
294	Frank Messer & Sons Const. Co., Cincinnati	60.2	0	✓	✓	✓	..	..	..	✓	✓	✓	15
295	E.L. Yeager Const. Co., Inc., Riverside, Calif.	60.0	0	..	..	✓	✓	..	✓	..	..	..	2
296	Holder Construction Co., Atlanta, Ga.	59.6	0	✓	..	..	..	..	..	✓	✓	..	8
297	The Davis Corp., La Plata, Md.	58.7	0	..	..	..	..	..	..	✓	..	..	2
298	Millstone Const., Inc., St. Louis, Mo. (rr)	57.0	0	✓	✓	✓	✓	..	✓	✓	..	..	7
299	J.R. Porter Construction, Inc., Phoenix, Ariz.	57.0	0	✓	..	✓	..	..	✓	✓	✓	..	1
300	Sletten Construction Co., Great Falls, Mont.	56.9	0	✓	✓	✓	✓	..	✓	✓	..	..	6
301	Centric Corp., Lakewood, Colo.	56.9	0	✓	✓	✓	✓	..	..	✓	..	..	19
302	Ray Wilson Co., Los Angeles, Calif. (ss)	56.8	0	✓	..	✓	..	..	..	✓	..	✓	1
303	Somers Const. Co., Inc., Bala Cynwyd, Pa.	56.0	0	..	..	..	..	..	..	✓	..	..	5
304	Massaro Corp., Pittsburgh, Pa.	56.0	0	..	..	..	..	..	✓	✓	✓	..	7
305	Enterprise Building Corp., Dunedin, Fla.	55.6	0	✓	..	..	..	..	..	✓	..	..	1
306	E.W. Howell Co., Babylon, N.Y.	55.5	0	..	..	..	..	..	..	✓	..	✓	11
307	M.R. Harrison Const. Corp., Miami, Fla.	55.3	0	✓	..	✓	..	..	✓	✓	✓	..	3
308	Nielsen Nickles Const. Co., Sacramento	55.0	0	✓	✓	..	..	..	✓	✓	..	..	3
309	The E. & F. Const. Co., Bridgeport, Conn.	54.7	0	✓	✓	..	..	..	..	✓	✓	✓	2
310	FLINTCO, Inc., Tulsa, Okla.	54.5	0	✓	..	..	..	..	..	✓	..	..	3
311	Weaver Construction Co., Denver, Colo.	54.5	0	✓	✓	✓	✓	..	..	✓	✓	..	13
312	C.S. McCrossan, Inc., Osseo, Minn.	54.4	0	..	..	✓	✓	✓	✓	..	..	..	2
313	Hawkins Construction Co., Omaha, Neb.	54.2	0	✓	..	✓	✓	..	✓	✓	..	✓	12
314	Curtis T. Bedwell & Sons, Inc., W. Chester, Pa.	53.9	0	✓	✓	✓	✓	..	✓	✓	..	✓	4
315	Koppers Co., Inc., Pittsburgh, Pa.	53.8	0	..	..	✓	..	..	..	..	..	✓	64
316	Richards & Associates, Inc., Carrollton, Ga.	53.8	4.5	✓	..	✓	..	..	..	✓	✓	✓	6
317	Rudolph/Libbe/Inc., Walbridge, Ohio	53.4	0	✓	..	✓	..	..	✓	✓	✓	✓	10
318	Underground Const. Co., Inc., San Leandro, Calif. (tt)	53.1	0	..	..	✓	..	..	✓	✓	..	..	27
319	R.M. Mayfield Constructors, Inc., Houston	53.0	0	✓	..	..	..	..	..	✓	..	..	24
320	Onegile & Gervasini, Inc., Torrington, Conn.	53.0	0	✓	..	..	✓	..	✓	✓	..	..	2
321	Arute Brothers, Inc., New Britain, Conn.	53.0	0	..	..	..	✓	..	..	..	..	..	2
322	Armco Building Const. Services, Cincinnati	52.1	0	✓	..	..	..	..	..	✓	..	✓	0
323	Mountain States Mineral Enterprises, Inc., Tucson, Ariz.	52.0	0	✓	✓	✓	..	..	..	..	..	✓	5
324	A. Teichert & Son, Inc., Sacramento, Calif.	51.9	0	..	..	..	✓	..	✓	..	..	..	14
325	P.R. Duke Const. Co., Inc., Indianapolis, Ind.	51.9	0	✓	..	..	..	..	..	✓	✓	..	3
✓	Wigton Abbott Corp., Plainfield, NJ	57.0	0	✓	..	..	..	..	..	✓	✓	✓	4
✓✓	I.C. Harbour Const. Co., Lisle, Ill.	53.5	0	✓	..	✓	..	..	..	✓	✓	..	7

✓ Awards would rank firm No. 300
✓✓ Awards would rank firm No. 317

RANK	FIRM	1988 CONTRACTS (IN $ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY								ENR SUB-SCRIBER
326	Terminal Const. Corp., Wood Ridge, N.J.	51.6	0	✓	..	✓	..	..	..	✓	✓	✓	16
327	Siegfried Const. Co., Inc., Buffalo, N.Y.	51.6	0	✓	✓	✓	..	..	✓	✓	..	..	7
328	Industrial Contractors, Inc., Evansville, Ind.	51.5	0	✓	✓	✓	..	..	..	✓	✓	✓	6
329	Vik Construction Co., Eugene, Ore.	51.2	0	✓	..	..	..	..	..	✓	✓	..	4
330	Area Builders, Inc., Odessa, Tex.	50.7	0	..	..	..	..	..	..	✓	..	✓	1
331	Jack B. Parson Const. Co., Ogden, Utah (uu)	50.1	0	..	..	..	✓	..	..	..	..	..	1
332	Morley Construction Co., Los Angeles, Calif.	49.8	0	..	..	..	..	..	..	✓	..	..	1
333	Eliason & Knuth Cos., Inc., Lincoln, Neb.	49.7	0	..	..	..	..	..	..	✓	..	..	3
334	M & B Contracting Corp., Novi, Mich.	49.6	0	..	✓	..	✓	..	..	..	..	..	5
335	R.S. Noonan, Inc., York, Pa.	49.4	0	✓	..	✓	..	..	..	✓	✓	✓	25
336	Harvis Construction, Inc., Honolulu, Hawaii	49.1	0	..	..	..	..	..	..	✓	..	..	1
337	J. Rich Steers, Inc., New York, N.Y.	48.9	0	..	✓	..	✓	✓	✓	..	..	✓	17
338	S.M. Wilson Const. Co., Granite City, Ill.	48.9	0	✓	✓	✓	..	..	..	✓	..	..	16
339	John W. Ryan Const. Co., Inc., New York	48.5	0	✓	..	✓	..	..	..	✓	✓	✓	1
340	W.A. Klinger, Inc., Sioux City, Iowa (vv)	48.3	0	..	..	..	..	..	..	✓	..	✓	7
341	Kettelhut Construction, Inc., Lafayette, Ind.	48.2	0	✓	..	✓	..	..	..	✓	..	..	1
342	Hunzinger Construction Co., Milwaukee, Wis.	48.0	0	✓	..	..	..	..	..	✓	✓	✓	3
343	Huxtable-Hammond Co., Inc., K.C. Kan.	47.9	0	✓	✓	✓	..	..	..	..	..	✓	3
344	Clark Construction Co., Lansing, Mich.	47.7	0	✓	✓	..	✓	..	..	✓	..	..	1
345	Fred Weber, Inc., St. Louis, Mo.	47.4	0	✓	✓	✓	✓	..	✓	✓	..	..	4
346	The Interstate Amiesite Corp., Concordville, Pa.	47.0	0	..	..	..	✓	..	✓	..	..	..	1
347	Shook, Inc., Dayton, Ohio	47.0	0	✓	✓	✓	..	..	..	✓	..	✓	1
348	James D. Morrissey, Inc., Philadelphia, Pa.	46.8	0	..	..	..	✓	..	..	..	..	..	8
349	ASR Multi, Inc., Troy, Mich.	46.8	0	✓	..	✓	..	..	✓	✓	✓	✓	0
350	Lionmark Construction Cos., St. Louis, Mo.	46.7	0	..	..	..	✓	..	✓	✓	..	✓	2
351	Ed Kraemer & Sons, Inc., Plain, Wis.	46.7	0	..	..	..	✓	✓	..	..	..	✓	14
352	B &B Const. Co. of Ohio Inc., Youngstown	46.5	0	..	..	..	..	..	..	✓	..	..	1
353	Miller Davis Co., Kalamazoo, Mich.	46.2	0	✓	..	..	..	..	..	✓	✓	..	15
354	Sordoni Construction Co., Forty Fort, Pa.	46.1	0	✓	..	✓	..	..	..	✓	✓	..	1
355	Brown & Matthews, Inc., Cranford, N.J.	46.0	0	✓	..	..	..	..	..	✓	✓	✓	2
356	Henderson Corp., Raritan, N.J.	46.0	0	✓	..	..	..	..	..	..	✓	✓	6
357	Doster Const. Co., Inc., Birmingham, Ala.	46.0	0	✓	..	✓	..	..	..	✓	✓	✓	9
358	Allen M. Campbell Co., Tyler, Tex.	46.0	0	..	..	..	..	..	..	✓	..	..	10
359	Sheehy Construction Co., St. Paul, Minn.	45.5	0	..	..	..	..	..	..	✓	..	✓	2
360	Johnson & Galyon, Inc., Knoxville, Tenn.	45.5	0	✓	..	..	..	..	✓	..	✓	..	1
361	R.R. Dawson Bridge Co., Bloomfield, Ky.	44.8	0	..	..	..	✓	..	..	..	..	..	5
362	Hitro Construction Co., Inc., Tucson, Ariz.	44.8	0	✓	..	..	✓	..	✓	✓	..	..	1
363	Hall Contracting Corp., Louisville, Ky. (ww)	44.7	0	..	✓	..	✓	✓	..	✓	..	..	3
364	Haas Brothers, Inc., Parlin, N.J.	44.6	0	..	✓	✓	✓	..	✓	..	..	..	4
365	Marshall Erdman & Assoc., Inc., Madison, Wis.	44.6	0	..	..	..	..	..	..	✓	..	✓	6
366	Orville E. Madsen & Son, Inc., Madison, Wis.	44.5	0	✓	✓	✓	..	..	..	✓	..	..	3
367	James N. Gray Const. Co., Inc., Glasgow, Ky.	44.3	0	✓	..	✓	..	..	..	✓	..	✓	1
368	Lee Rowe Construction Co., Houston, Tex.	43.7	0	✓	..	..	..	..	..	✓	..	✓	2
369	John R. Hess, Inc., Pittsburgh, Pa.	43.5	0	✓	✓	✓	..	..	✓	✓	..	✓	2
370	Etkin, Johnson & Korb, Inc., Oak Park, Mich.	43.5	0	✓	..	..	..	..	✓	✓	✓	✓	6
371	Gotham Construction Corp., New York, N.Y.	43.4	0	..	..	..	..	..	..	✓	✓	..	1
372	Frank Mascali Const. Co., Inc., Flushing, N.Y.	43.4	0	✓	..	..	✓	..	✓	..	..	..	3
373	Blythe Industries, Inc., Charlotte, N.C.	43.2	13.4	✓	✓	✓	✓	..	✓	..	..	..	2
374	Landis Const. Co., Inc., New Orleans, La.	43.2	0	✓	✓	✓	✓	✓	✓	✓	..	..	2
375	Walsh Construction Co. of Illinois, Chicago	43.1	0	..	..	..	✓	..	..	✓	..	..	66

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RANK	FIRM	1989 CONTRACTS ($ MILLIONS) TOTAL	FOREIGN	CONSTRUCTION SPECIALTY									EMR BUILDING SCRIBERS
376	**Wil-Frods, Inc., Naperville, Ill.**	43.1	0	✓	..	..	..	..	..	✓	..	..	5
377	**Kroll Construction Co., Atlanta, Ga.**	43.0	0	✓	..	✓	..	..	..	✓	✓	✓	1
378	**Pike Industries, Inc., Tilton, N.H.**	42.7	0	..	..	..	✓	..	..	..	..	..	3
379	**Dawson Construction Co., Gadsden, Ala.**	42.7	0	..	..	..	..	..	..	✓	..	..	5
380	**GAL Construction, Inc., Belle Vernon, Pa.**	42.6	0	✓	✓	✓	✓	..	..	..	..	✓	2
381	**Absher Construction Co., Puyallup, Wash.**	42.2	0	..	..	..	..	..	..	✓	..	..	1
382	**Raiser Const. Co., Inc., San Mateo, Calif.**	42.2	0	✓	..	..	..	..	..	✓	..	✓	2
383	**Brown & Lambrecht, Joliet, Ill.**	42.0	0	..	✓	..	✓	..	✓	..	..	..	9
384	**Hercules Construction Co., St. Louis, Mo.**	42.0	0	✓	..	✓	..	..	✓	✓	✓	✓	7
385	**Frederick Quinn Corp., Rolling Meadows, Ill.**	42.0	0	✓	..	..	..	..	..	✓	..	✓	2
386	**W.J. Barney Corp., New York, N.Y.**	42.0	0	✓	✓	✓	..	..	..	✓	✓	..	11
387	**Twin City Const. Co. of Fargo, N.D.**	42.0	0	✓	..	..	✓	..	✓	✓	..	✓	4
388	**Brock & Blevins Co., Inc., Roosville, Ga.**	41.8	0.4	✓	✓	✓	..	..	..	..	..	..	9
389	**Sessinghaus & Ostergaard, Inc., Baltimore**	41.5	0	✓	✓	✓	..	..	..	✓	..	..	5
390	**Codell Construction Co., Winchester, Ky.**	41.3	1.5	..	..	..	✓	..	✓	..	..	..	8
391	**Westcott Const. Corp., N. Attleboro, Mass.**	41.3	3.2	✓	..	✓	..	..	..	✓	..	..	11
392	**Current Builders, Inc., Fort Lauderdale, Fla.**	41.2	0	..	..	..	..	..	..	✓	..	..	2
393	**MacKinnon-Parker, Inc., Toledo, Ohio**	41.2	0	✓	✓	✓	..	..	✓	✓	✓	✓	11
394	**J.H. Findorff & Son, Inc., Madison, Wis.**	41.2	0	..	..	..	..	..	..	✓	..	..	8
395	**T.A. Loving Co., Goldsboro, N.C.**	41.1	0	..	..	..	✓	..	..	✓	..	..	4
396	**E.M. Watkins & Co., Inc., Tallahassee, Fla.**	41.0	0	✓	..	✓	..	..	..	✓	✓	✓	4
397	**Barkan Const. Co., Inc., Chestnut Hill, Mass.**	40.7	0	..	..	..	..	..	..	✓	✓	..	1
398	**Murray Walter, Inc., Binghamton, N.Y.**	40.7	0	..	..	..	..	..	..	✓	..	..	9
399	**Mayfair Construction Co., Chicago, Ill.**	40.6	0	..	..	..	..	..	..	✓	..	..	4
400	**H.J. High Construction Co., Orlando, Fla.**	40.2	0	✓	..	..	..	..	..	✓	✓	..	3

400 footnotes:

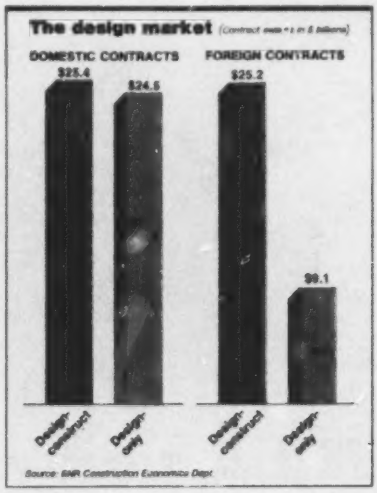
a. Includes Ralph M. Parsons Co.; S.I.P., Inc.; Parsons Constructors Inc. and De Leuw Cather & Co. b. Includes Daniel International. c. Includes The H.K. Ferguson Co. and International Engineering Co. d. A subsidiary of Wheelabrator-Frye Inc.; formerly Pullman-Kellogg Div. of Pullman, Inc. e. Includes Kaiser Engineers f. Includes Gibbs & Hill; F.C. de Weger and Dravo Van Houten, Inc. g. Includes Guy F. Atkinson Construction Co.; Commercial Welding Co.; Commonwealth Construction Co.; Walsh Construction Co. and Wismer & Becker Contracting Engineers. h. A wholly owned subsidiary of Santa Fe International Corp. i. Includes Babcock & Wilcox Construction Co. j. Includes Davy McKee Corp.; DM International, Inc.; Dresser Engineering Co. and Hallenger Engineers Inc. k. Includes principal subsidiary, Chicago Bridge & Iron Co. l. Includes the following wholly owned companies and their subsidiaries: Gordon H. Ball, Inc.; Basalt Rock Co., Inc.; Dillingham Australia Pty. Ltd.; Dillingham Corp. Canada Ltd.; Dillingham Construction - Simpson Division; Hawaiian Dredging & Construction Co.; Hawaiian Bitumuls & Paving Co.; and Transit Products, Inc. m. Includes McCarthy Brothers Const. Co., McBRO and TGK/McCarthy. n. Includes Ford, Bacon & Davis Construction Corp.; Ford, Bacon & Davis Texas, Inc.; Ford, Bacon & Davis Utah, Inc.; Ford, Bacon & Davis International, Inc. and Brazos Industrial Energy Co. o. Includes Austin Bridge Co.; Austin Commercial, Inc.; Austin Paving Co.; Austin Power, Inc.; Austin Road Co.; Coastal Construction Co. and Coastal Industrial Constructors, Inc. p. formerly Henry C. Beck Company q. Includes Clark Enterprises, Inc. r. Includes Payne and Keller, Inc.; Payne and Keller of Louisiana, Inc.; Payne and Keller Gulf Coast, Inc. and Sirla, Inc. s. Includes Cameron Construction Co.; Badger Construction Co.; Hertz-Kirkpatrick Construction Co. t. Includes Hospital Building & Equipment Co. and HBE Bank Facilities u. Includes Howard S. Wright Construction Co. and Wright Schuchart Harbor Co. v. Includes M.M. Sundt Construction Co. w. Includes The Lilley Group x. Includes subsidiaries Williams-McWilliams Co., Inc., New Orleans; Continental Constructors, Inc., Houston and affiliate, Paramount Pacific, Inc., Paramount, Calif. y. Includes Great Lakes Dredge & Dock Co. z. A Wheelabrator-Frye Company aa. Includes Richmond Road Co.; Richmond Equipment Division; Richmond Steel; Cahaba Construction Co. and Project Management Systems. bb. Includes the following wholly owned subsidiaries: Rodgers Construction, Inc., Nashville; Schmidt-Tiago Construction Co., Arvada, Colo. and Teton Construction Co., Cheyenne, Wyo. cc. Includes Neal Hawkins Contractor, Inc.; CTB, Inc.; Contractors and Materials Inc. and Dickerson, Inc. dd. Includes Grow Tunneling Corp.; Underpinning & Foundation Constructors, Inc.; H. Sand & Co., Inc. and A.S.C. Constructors, Inc. ee. Includes L.K. Comstock Engineering Co., Inc. ff. Includes Algernon Blair Inc.; Algernon Blair Industrial Contractors, Inc.; Algernon Blair International of South Africa (Pty.) Ltd.; Castle Construction Co., Inc. and The Collins Co., Inc. gg. Includes Robert H. Pinnix, Inc. hh. Includes wholly owned subsidiaries Cone Brothers Contracting Co., Tampa, Fla.; B.F. Diamond Construction Co.; International Incinerators, Inc. and Wright Contracting Co., Columbus, Ga. ii. Includes Able Construction Co., Greenville, S.C. and West Point Construction Co., West Point, Ga. jj. Includes Vulcan Construction Co. kk. Includes Morrison, Inc. and M.J. Carboy Co., Chicago, Ill. ll. Includes subsidiary Roberts/Ohbayashi Corp., Oakland, Calif. and, affiliate, Ohbayashi-Gumi, Ltd., San Francisco. mm. Includes W & B Constructors, Inc. nn. Includes wholly owned subsidiary Chisholm Trail Construction Co., Inc. oo. Includes wholly owned subsidiaries: Orlando Paving Co. and Orlando Paving and Construction Co. pp. Includes Black Rock Contracting, Inc., Charleston, W. Va. and Rubin Construction Co., West Palm Beach, Fla. qq. Includes Shafer Miller, Inc. and First Florida Building Corp. rr. Includes Bangert Brothers Paving Co. and Knabel Redman Co. ss. Includes Nicholson-Wilson Div., Santa Clara, Calif. tt. Includes wholly owned subsidiary, M.G.C. Co. uu. Includes Parson Asphalt Products, Inc.; Parson Ready-Mix Co., Inc. and Bonneck Paving Co. vv. Includes Youngdove Construction Co. and Cyclone Construction Co. ww. Includes Boyce Co.; Coleman Building Corp. and Doxie Construction Corp.

Design and construct work soars

Companies among ENR's Top 400 offering design-construct services rang up $50 billion in new design-construct awards in 1980, dividing their effort equally between domestic and foreign markets. This phenomenal performance doubled 1979's corresponding figure and pushed the design-constructors' share of the total 400 contracting volume to 44%. This towers over the previous year's 28% and is the largest slice of the pie taken by the design-constructors since 1975. The number of firms reporting new design-construct awards last year rose by 14 to 137, but is still below the 161 firms reporting such work in 1978. Most of the firms operated within the U.S. where they account for [illegible] all awards. Overseas, the top design-constructors dominated the action, with only 35 companies grabbing nearly three-quarters of The Top 400 foreign volume.

The design-only market was just as buoyant for large contractors offering this service and 56 firms were awarded design work for just under $34 billion worth of projects in 1980. The domestic share of the market involved 53 firms drafting plans for $24 billion worth of work. Overseas, the design-only market was $9 billion, shared by 27 firms.

A dominant force. Top design-construct firms continued to take an over-whelming share of the market, particularly for projects outside the U.S. Of total design-construct contracts awarded last year, including design-only, 66% went to the 10 largest companies. For the $34 billion awarded overseas, the top 10's share climbed to 76%.



These giant firms were led by Bechtel Group, Inc., San Francisco, and C-E Lummus, Bloomfield, N.J., with $8.8 and $8.1 billion in 1980 new awards, respectively. Bechtel's continuing market strategy places emphasis on design-build, according to Richard P. Godwin, president, Bechtel Civil & Minerals, Inc. "We are seeing an increasing trend to this kind of work in the U.S. simply because it's faster," says Godwin. "You can get into the field more rapidly and owners can save on the cost of money." Overseas, Godwin believes the trend is swinging the other way. Foreign countries, he claims, want U.S. technology but prefer to involve their own contractors on projects as much as possible."

Nevertheless, Bechtel found the major portion of its work overseas in 1980, as it took the top spot in foreign design-construct work with nearly $6.7 billion in work from foreign owners. This edged out The Parsons Corp.'s $6 billion in awards. Foster Wheeler Corp., Livingston, N.J., ranking eighth in foreign design-construct work in '79, climbed to third behind Bechtel and Parsons with $3.4 billion, while C-E Lummus fell just 1% off Wheeler's contracting pace to place fourth in foreign design-construct contracts.

Within the U.S., C.F. Braun & Co., Alhambra, Calif., received the largest amount of new design-construct work, though most of it was for design-only contracts. C-E Lummus ranked second on the home front, just behind Braun's $4.8 billion. The Rust Engineering Co., Birmingham, Ala., ranked third in the domestic market followed by Ebasco Services Inc., New York City.

Ebasco maintained a leading position among the nation's design-constructors, despite a broad decline in key powerplant markets, as a result of an aggressive campaign to obtain coal-fired plant contracts here and abroad. Ebasco's domestic awards, which climbed 50% in 1980, received a major boost from landing a contract for engineering and managing a $1-billion, 625-Mw coal-fired plant for New York State Electric and Gas. While increasing its workload at home, Ebasco pulled its major coup overseas. Foreign awards climbed from just $150 million reported in 1979 to over $1.4 billion last year. Ebasco's prize awards overseas came from the People's Republic of China to help develop two 300-Mw and two 600-Mw coal-fired plants.

Braun also took first place for design-only work with more than $5 billion worth of new projects on its drawing boards. Dravo Corp., Pittsburgh, posted the second largest amount of design-only work at $4 billion while Lummus placed third with $3.8 billion.

Braun's largest projects included a Canadian refinery that will process oil from the Athabasca tar sands near Edmonton, a $300-million contract for Exxon's shale oil project in Colorado, a petrochemical plant in Saudi Arabia as well as a major refinery modernization for Amoco in Texas.

Powered by these energy projects Braun made the biggest leap on the design-construct list, jumping 14 places to rank fourth. Raymond International, Inc., Houston, was another big gainer, climbing 12 places to rank 11th on the 1980 list. Foster Wheeler Corp and Stearns-Roger both jumped 10 places to rank sixth and tenth, respectively. Braun also registered the biggest growth in contract awards with combined design-construct and design-only contracts of $7.2 billion, way above 1979's $1.2 billion figure. □

Design-construct

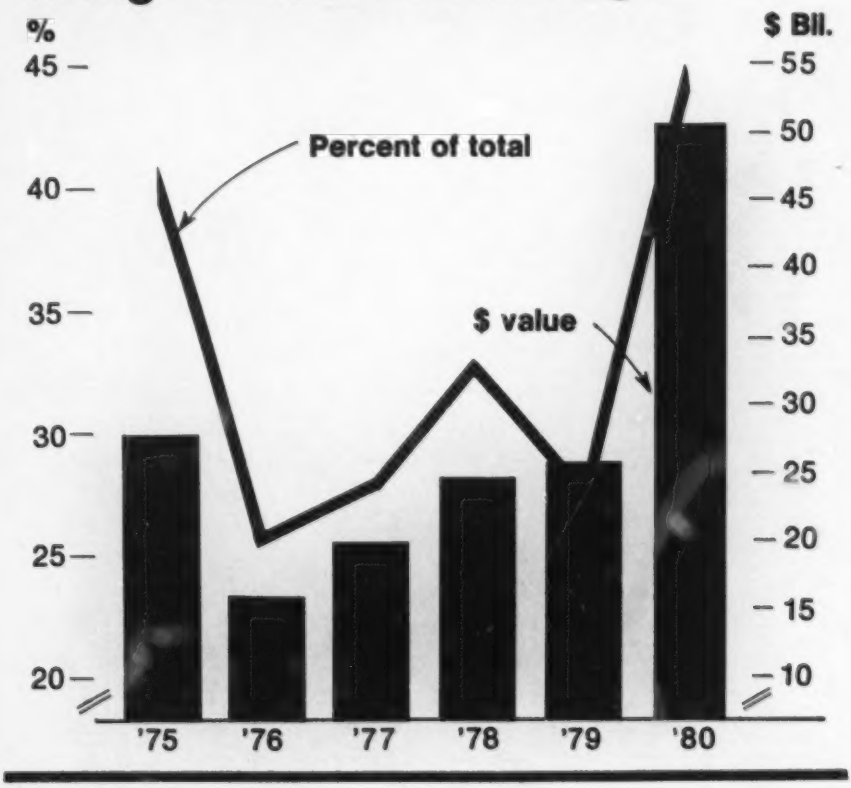
RANK	FIRM	DESIGN-CONSTRUCT ($ MILLIONS) TOTAL	DESIGN-CONSTRUCT ($ MILLIONS) FOREIGN	DESIGN-ONLY	BLDG	HEAVY	SPEC. & PROCESS	ENR SUBSCRIBERS
1	Bechtel Group, Inc., San Francisco, Calif.	8,774.0	6,652.0	292.0	✓	✓	✓	1416
2	C-E Lummus, Bloomfield, N.J.	8,060.0	3,360.0	3,760.0	✓	✓	✓	50
3	The Parsons Corp. Pasadena, Calif.	7,867.2	6,041.5	860.3		✓	✓	301
4	C.F. Braun & Co., Alhambra, Calif.	7,215.0	2,410.0	5,935.0		✓	✓	67
5	Fluor Corp., Irvine, Calif.	6,172.0	n.a.	n.a.	✓	✓	✓	695
6	Foster Wheeler Corp., Livingston, N.J.	5,500.0	3,400.0	900.0	..	✓	✓	87
7	The Rust Engineering Co., Birmingham, Ala.	5,300.0	1,500.0	3,200.0	✓	✓	✓	79
8	Ebasco Services Inc., New York, N.Y.	5,224.2	1,442.4	1,512.9	✓	✓	✓	320
9	Dravo Corp., Pittsburgh, Pa.	4,439.6	1,155.4	4,048.5	..	✓	✓	276
10	Stearns-Roger Corp., Denver, Colo.	3,829.3	145.1	2,677.9	✓	✓	✓	146
11	Raymond International, Inc. Houston, Tex.	3,461.0	1,856.0	1,662.0	✓	✓	✓	271
12	The M.W. Kellogg Co., Houston, Tex.	3,000.0	1,856.0	0	..	✓	..	112
13	Morrison-Knudsen Co., Inc., Boise, Idaho	2,905.4	955.5	2,834.3	✓	✓	✓	430
14	Burns & Roe, Inc., Oradell, N.J.	2,178.0	22.4	2,177.6	..	✓	✓	135
15	Brown & Root, Inc., Houston, Tex.	2,171.0	120.0	1,262.8	✓	✓	✓	487
16	Davy Inc., Cleveland, Ohio	1,973.0	625.3	818.0	✓	✓	✓	158
17	The Austin Co., Cleveland, Ohio	1,778.3	439.5	496.4	✓	✓	✓	120
18	United Engineers & Constructors, Inc., Philadelphia, Pa.	1,607.0	600.0	786.0	✓	✓	✓	233
19	J. Ray McDermott & Co., Inc., New Orleans	1,523.3	n.a.	1,201.2	✓	✓	✓	101
20	Jacobs Engineering Group Inc., Pasadena	1,234.1	30.0	729.4	✓	✓	✓	80
21	Catalytic Inc., Philadelphia, Pa.	940.0	140.0	660.0	..	✓	✓	115
22	CBI Industries, Inc., Oak Brook, Ill.	942.0	401.0	n.a.	..	✓	✓	116
23	The Heyward-Robinson Co., Inc., New York	646.0	110.0	60.0	..	✓	✓	21
24	Ford, Bacon & Davis, Inc., Monroe, La.	587.7	357.0	136.4	..	✓	✓	37
25	Day & Zimmermann, Inc., Philadelphia, Pa.	570.0	110.0	480.0	✓	✓	✓	22
26	Crawford & Russell, Inc., Stamford, Conn.	523.0	91.5	329.5	..	..	✓	21
27	Harrison Western Corp., Lakewood, Colo.	512.0	3.0	474.0	✓	✓	✓	17
28	Procon International Inc., Des Plaines, Ill.	494.8	129.1	162.1	..	✓	✓	38
29	Barnard and Burk, Inc., Pasadena, Calif.	494.0	15.0	395.0	✓	✓	✓	10
30	HBE Corp., St. Louis, Mo.	384.7	0	0	✓	..	..	66
31	Mountain States Mineral Enterprises, Inc., Tucson, Ariz.	352.0	63.4	300.0	..	..	..	5
32	Delta Engineering Corp., Houston, Tex.	329.2	131.1	288.0	..	..	✓	8
33	Charles Pankow, Inc., Altadena, Calif.	319.0	0	0	✓	..	..	14
34	L.K. Comstock & Co., Inc., Danbury, Conn.	300.5	14.0	294.0	✓	✓	✓	40
35	Pittsburgh-Des Moines Corp., Pittsburgh	266.2	0	n.a.	✓	✓	✓	84
36	BE&K, Inc., Birmingham, Ala.	231.0	0	60.0	✓	✓	✓	43
37	World Wide Const. Svcs., Inc., Wichita, Kan.	227.0	0	0	..	✓	✓	4
38	The Litwin Cos., Houston, Tex.	220.0	53.0	32.0	✓	✓	✓	0
39	Fish Engineering & Const., Inc., Houston	192.3	25.0	24.0	..	✓	✓	12
40	Cunningham-Limp Co., Birmingham, Ala.	191.5	n.a.	98.4	✓	✓	✓	6
41	The Ortloff Corp., Midland, Tex.	183.0	2.0	10.0	..	✓	✓	9
42	The Carlson Group, Inc., Cochituate, Mass.	182.0	8.5	53.0	✓	✓	✓	20
43	Arkel, Ltd., Baton Rouge, La.	169.5	105.0	101.0	..	✓	✓	1
44	Bank Building Corp., St. Louis, Mo.	150.3	0	0	✓	..	..	38
45	Blount International, Ltd., Montgomery, Ala.	145.0	0	145.0	✓	✓	✓	84
46	Schumacher & Forelle, Inc., Great Neck, N.Y.	142.0	28.0	38.0	✓	..	✓	6
47	Koppers Co., Inc., Pittsburgh, Pa.	123.8	0	70.0	..	..	✓	84
48	Rauenhorst Corp., Bloomington, Minn.	111.4	0	0	✓	..	..	12
49	Boh Bros. Const. Co., Inc., New Orleans	109.5	0	0	✓	✓	✓	6
50	Treadwell Corp., New York, N.Y.	103.6	0	82.6	..	✓	✓	6

Based on design-construct plus design-only contracts valued at estimated cost of project.

Design construct work doubles in 1980

Design construction rode the crest of the upsurge in 1980 construction contracts by nearly doubling their design construct load, mostly on the strength of energy related projects such as upgrading refineries. Manufacturing and process plants were also a hot item in the design construct market which nearly doubled its 1980 awards to $50.6 billion. This volume was evenly divided between the domestic and foreign markets although more firms were active at home where 137 firms found work compared to 33 who signed contracts to design and build projects overseas. Design construct work accounted for 45% of the total top 400 contracting volume, compared to just 28% of 1979's volume. This is one of the highest levels on record, squeaking past the 41% registered in 1975.

Design & construct awards



400

Foreign work powered by resource

An energy-conscious world eager to develop its natural resources called on the expertise of U.S. contractors in greater numbers in 1980 as 86 contractors hauled in $34 billion in new contracting awards and almost $13 billion in construction management contracts. Although The Top 400 contractors were active across the whole spectrum of markets, energy and mineral markets triggered the heaviest activity as foreign general contracts soared 54% above 1979's level. Most of these contracts were won by the giants of the construction industry. The nation's top 29 firms cornered 89% of all foreign work reported by The Top 400 and the top five firms working overseas grabbed 64%

Bechtel Group, Inc., San Francisco, led The Top 400 contractors in their drive overseas, picking up $6.6 billion in new contracting work. Close behind Bechtel was The Parsons Corp., Pasadena, Calif., with $5.9 billion in new construction contracts. In the area of program management, the two leading firms switched positions, with Parsons climbing into first with $2.4 billion in new management contracts versus Bechtel's $1.9 billion. Both firms relied heavily on the foreign marketplace to boost their workload. Bechtel found 80% of its 1980 work overseas and Parsons, 88%.

Keeping a balance. "The resource-development markets are generally more active overseas," says Richard P. Godwin, president of Bechtel's civil and minerals division. "Not only are foreign companies and countries gearing up, but U.S. resource companies are moving overseas to develop natural resources, and Bechtel is following its clients."

"We would have been out of business if we had counted on domestic work only in the 70s," claims William McKay, president of the international division of Fluor Corp., Irvine, Calif. "The advantage of working overseas is that you have the whole world as a marketplace which frees you from the ups and downs of the U.S. economy," says McKay. Fluor signed the third largest amount of new work abroad in 1980 with nearly $5 billion in contracting and program management awards.

Apparently, Guy F. Atkinson Co., San Francisco, agrees with this logic. "We're looking harder overseas to try to fill the gaps that exist in U.S. work," says George T. McCoy, president and chief executive officer. This strategy began to pay off last year when Atkinson signed over $1.2 billion in foreign work. "Our best market opportunities are

Top 400 contractors found work in over 90 countries in 1980

At these worldwide locations . . . **. . . are 86 contractors**

Number of firms working in country (o)

(match site codes with table)

1. Canada (37 firms)
2. United States (—)

LATIN AMERICA

10. Argentina (11 firms)
11. Bolivia (4)
12. Brazil (33)
13. Chile (6)
14. Colombia (11)
15. Costa Rica (3)
16. Ecuador (7)
17. El Salvador (1)
18. Guatemala (10)
19. Guyana (1)
20. Honduras (3)
21. Mexico (22)
22. Nicaragua (1)
23. Panama (6)
24. Paraguay (3)
25. Peru (12)
26. Uruguay (3)
27. Venezuela (29)

CARIBBEAN ISLANDS

30. Greater Antilles (12)
31. Puerto Rico (21)
32. Lesser Antilles (9)

EUROPE

40. Austria (3 firms)
41. Belgium (10)
42. Denmark (2)
43. East Europe (3)
44. Germany, West (15)
45. Greece (6)
46. France (10)
47. Ireland (13)
48. Italy (8)
49. Netherlands (16)
50. Portugal (4)
51. Scandinavia (9)
52. Spain (11)
53. Switzerland (1)
54. United Kingdom (27)
55. U.S.S.R. (5)
56. Yugoslavia (5)

MIDDLE EAST

60. Afghanistan (2 firms)
61. Bahrain (7)
62. Iran (1)
63. Iraq (7)
64. Israel (5)
65. Jordan (3)
66. Kuwait (6)
67. Lebanon (1)
68. Oman (2)
69. Pakistan (7)
70. Qatar (3)
71. Saudi Arabia (40)
72. Syria (2)
73. Turkey (7)
74. U.A.E. (12)
75. Yemen, North (2)

ASIA

80. Australia (21 firms)
81. Bangladesh (6)
82. Brunei (1)
83. Burma (1)
84. China (P.R.C.)(10)
85. Taiwan (10)
86. Hong Kong (4)
87. India (7)
88. Indonesia (14)
89. Japan (7)
90. Korea, South (8)
91. Malaysia (9)
92. New Zealand (6)
93. Pacific Islands (10)
94. Philippines (11)
95. Singapore (11)
96. Sri Lanka (6)
97. Thailand (7)
98. Vietnam (2)

100. Antarctic/Arctic (2)

NORTH AFRICA

101. Algeria (11 firms)
102. Egypt (15)
103. Ethiopia (2)
104. Libya (2)
105. Morocco (4)
106. Somalia (1)
107. Sudan (2)
108. Sub Sahara nations (2)
109. Tunisia (4)

AFRICA

120. Angola (3 firms)
121. Botswana (2)
122. Cameroon (1)
123. Gabon (2)
124. Ghana (1)
125. Guinea (1)
126. Ivory Coast (2)
127. Kenya (1)
128. Liberia (2)
129. Malawi (2)
130. Mozambique (2)
131. Nigeria (6)
132. Senegal (1)
133. South Africa (10)
134. Tanzania (2)
135. Uganda (2)
136. Upper Volta (1)
137. Zaire (3)
138. Zambia (1)
139. Zimbabwe/Rhodesia (2)

development

hydropower projects in South America," McCoy says, pointing to a 40% share of the $1-billion dam work at Guri and a $208-million joint venture on a hydro project in Chile.

Jacobs Engineering Group, Inc., Pasadena, is also hungry for more foreign work. Between 10 to 15% of the company's total revenues are now generated overseas, says president Dale Myers. Long-range planning calls for raising this share to as much as 25%. To help implement this strategy, Jacobs is investigating joint ventures with London-based George Wimpey, Ltd., that could capitalize on Jacob's process plant front-end capability and construction management skills and Wimpey's construction capability.

The Middle East remains the hub of international construction, offering new contracting and management awards to 36 American firms in 1980. These contracts account for about 30% of The Top 400's foreign volume. Saudi Arabia offered the bulk of new foreign jobs. However, only 40 U.S. firms reported working on new or old projects in the country during 1980, down from 47 firms in 1978. Egypt saw the biggest gain in U.S. activity in the region as the number of firms working there climbed from nine in 1977 to 15 last year. "We have yet to see a better market for oil, gas and infrastructures than the Middle East," says Stanley Goldhaber, senior vice president, Parsons Corp.

But growing mining and mineral processing markets in South America and Asia and a strong energy market in Canada are tempting some firms to shift their market focus from the Middle East. "We see Middle East projects becoming ever more competitive and at the same time Australia is opening up," says F.R. Mason, senior vice president of finance, Raymond International, Inc., Houston. "So with our volume falling off in the Middle East," he continues, "we are demobilizing, to a certain extent, in that area and allocating more resources to Australia and the Orient where we see business picking up."

Raymond, claims Mason, looks for strong industrial markets in Asia, particularly in Australia, to help replace a shrinking market for its services in the Middle East. Also, he adds, Raymond will monitor closely potential jobs in South America, particularly in Argentina, Peru, Ecuador, Chile and Venezuela. Fluor, however, still sees the Middle East and Canada as the most promising areas for refining and petrochemicals projects and votes for South America for mineral projects and Europe for upgrading and retooling refineries, according to McKay.

Latin America proved the most popular region for U.S. contractors, with 44 firms awarded new work in 1980 in the area, totaling about 22% of all contracting and management contracts overseas. Top 400 firms were well represented in most Latin American countries with the most, 29, finding work in Venezuela. Mexico attracted 22 firms and Brazil 20 while Peru and Guatemala both had 12 Top 400 firms working on projects in 1980.

Asian countries proved the third most popular region for the Top 400 with 25 U.S. firms claiming about $8.5 billion in new contracting and management awards. The most attractive country by far was Australia, which packed in 21 companies while a surprising 12 firms reported construction activity in the People's Republic of China. Thirty-two firms signed on new work in Canada while Europe and Africa drew 24 and 19 firms each. □

The Top 400 overseas

- **Bechtel led contractors abroad, picking up $6.8 billion in construction awards in all six regions.**
- **American management skills were called on to help build $12.8 billion worth of new projects.**
- **The Middle East remains the hub of the world market, accounting for 31% of all foreign work.**
- **Contractors working in Asia averaged $340 million in new work, second only to the Middle East.**
- **Twenty-four companies found work in Europe, the United Kingdom and West Germany drew the most firms.**
- **The smallest overseas market is Africa but 19 firms still chalked up $2.7 billion in new work.**
- **Latin America was the most popular market with 44 firms dividing up $8.6 billion in new work.**
- **Canada offered $5.1 billion in new awards to 32 American firms.**

Arbel, Ltd. 14, 15, 18, 20, 23, 27, 102, 107, 108, 126, 128, 131 Guy F. Atkinson Co. 1, 21, 27, 30, 54, 64 The Austin Co. 1, 10, 12, 18, 21, 24, 31, 41, 44, 45, 46, 47, 48, 49, 52, 53, 54, 60, 66, 95, 101 The Badger Co., Inc. 1, 10, 12, 18, 21, 27, 44, 46, 49, 50, 51, 54, 71, 73, 80, 85, 87, 88, 92, 96, 105, 133 Barnard and Burk, Inc. 1, 12, 18, 21, 27, 30, 40, 44, 54, 63, 71, 84 Bechtel Group, Inc. 1, 10, 12, 13, 14, 21, 23, 27, 30, 36, 42, 44, 46, 47, 48, 49, 51, 52, 54, 61, 63, 66, 68, 71, 74, 80, 84, 85, 87, 88, 90, 91, 92, 93, 96, 101, 102, 107, 109, 123, 131, 133, 137, 139 Atkinson Blair International, Inc. 133 Bisnet International, Ltd. 71 Blythe Industries, Inc. 31 C. F. Braun & Co. 1, 44, 52, 71, 80, 88, 93 Brock & Blevins Co., Inc. 31 Brown & Root, Inc. 1, 12, 21, 23, 27, 41, 48, 49, 50, 51, 52, 54, 55, 61, 63, 66, 69, 71, 80, 84, 87, 88, 89, 90, 91, 92, 94, 97, 102, 104, 131 Burns & Roe, Inc. 27, 30, 31, 36, 44, 54, 60, 66, 95, 94, 97 CBI Industries, Inc. 1, 10, 11, 12, 18, 24, 25, 26, 27, 30, 31, 35, 41, 44, 47, 48, 54, 61, 63, 66, 71, 74, 80, 83, 86, 88, 90, 91, 93, 94, 95, 101, 104, 106, 120, 131, 133 C-E Lummus 1, 12, 27, 44, 46, 48, 51, 54, 55, 58, 71, 84, 85, 88, 89, 96, 102, 126, 131 The Carlson Group, Inc. 36 Catalytic Inc. 1, 30, 31, 43, 47, 51, 54, 71, 73 Chas Corporation 80, 102, 131 Cadell Const. Co. 18 Centrallo Inc. 1, 30, 31, 43, 47, 51, 54, 71, 73 Chas Corporation 80, 102, 131 Cadell Const. Co. 18 L. K. Comstock & Co., Inc. n. a. Crawford & Russell, Inc. 31, 41, 47, 49, 51, 54, 66 The Crosby-Group 54, 61, 71 Continental-Limp Co. 1, 21, 27, 31, 41, 44, 46, 47, 49 Davy Inc. 1, 12, 21, 25, 27, 88, 83, 71, 80, 102, 108, 133 Day & Zimmermann, Inc. 14, 18, 18, 23, 25, 27, 31, 49, 71, 85 Delta Engineering Corp. 1 Leon D. DeNichola & Sons 71 Dillingham Corp. 1, 64, 69, 80, 93, 95 Drevo Corp. 1, 10, 12, 21, 27, 46, 48, 49, 52, 71, 73, 75, 80, 84, 85, 88, 90, 91, 94, 97, 101, 102, 136 Ebasco Services Inc. 1, 10, 12, 14, 16, 17, 18, 21, 23, 25, 26, 27, 31, 40, 41, 44, 46, 48, 47, 48, 49, 50, 51, 52, 54, 63, 66, 67, 69, 71, 73, 84, 86, 87, 88, 90, 93, 94, 97, 102 The A. Epstein Companies, Inc. 41, 43, 44, 48, 49, 54, 64 Fish Engineering & Construction, Inc. 1, 10, 14, 21, 27, 59 Fluor Corp. 1, 13, 21, 27, 42, 44, 45, 46, 52, 54, 55, 58, 62, 71, 74, 80, 84, 85, 86, 90, 97, 101, 126, 133 Ford, Bacon & Davis, Inc. 18, 52, 54, 60 Foster & Creighton Co. 71 Foster Wheeler Corp. 1, 10, 12, 14, 21, 27, 41, 44, 45, 46, 47, 48, 49, 50, 52, 54, 66, 68, 71, 73, 74, 80, 81, 85, 87, 90, 95, 97, 101, 102, 104, 127, 131, 133 Fru-Con Corp. 30 Great Lakes International, Inc. 10, 27, 31 Green Construction Co. 19 S. J. Groves & Sons Co. 1, 18, 71, 74 HCB 71 Herbert Const. Co. 14, 18, 31, 71, 74, 120 Harrison & Western Corp. 1, 10, 11, 12, 13, 14, 15, 25, 26, 27, 47, 54, 63, 71, 74, 75, 86, 95, 96 The Heyward-Robinson Co., Inc. 25, 27, 31 Hood Corporation 71 Paul M. Howard Co. 30, 31, 54, 71, 74, 102, 131 Jacobs Engineering Group Inc. 25, 27, 41, 47, 54, 65, 80, 81, 133 Johnson Bros. Corp. 66, 71 J. A. Jones Construction Co. 23, 71, 102 Peter Kiewit Sons, Inc. 1 The Litwin Companies 30, 55 McCarthy Brothers Co. 36 J. Ray McDermott & Co., Inc. 1, 12, 13, 21, 27, 44, 47, 48, 51, 52, 54, 61, 64, 70, 71, 74, 80, 82, 84, 86, 87, 88, 91, 92, 94, 95, 120, 131, 137 Morse Co. 71 Morrison-Knudsen Co., Inc. 1, 10, 12, 13, 14, 16, 18, 20, 22, 23, 24, 25, 27, 54, 71, 80, 81, 85, 88, 91, 96, 101, 102, 108, 123, 137 Mountain States Mineral Enterprises, Inc. 1, 11, 12, 13, 15, 18, 25, 43, 66, 84, 87, 94, 133 The L. E. Myers Co. Group. 1, 71 NECO, Inc. 18, 48, 82, 84 The Orbell Corp. 21 PCL Construction, Ltd. 1 The Parsons Corp. 1, 12, 13, 14, 21, 25, 27, 30, 44, 45, 47, 48, 51, 54, 66, 68, 71, 74, 80, 81, 85, 86, 88, 92, 93, 94, 95, 101, 102, 106, 133 Peveril Construction Co. 30, 31, 36 Pepper Const. Co. 30, 71 Portel Corp. 1, 31, 66 Pittsburgh-Des Moines Corp. 18, 21, 31, 71, 80 Pittsgulf Const. Co. 36 The Poole & Kent Co. 54 Procon International Inc. 12, 27, 50, 54, 55, 61, 66, 69, 80, 84, 86, 94, 101, 102, 106, 122 Pullman Power Products 1, 25, 41, 60, 69 Raymond International, Inc. 1, 12, 18, 21, 23, 25, 27, 30, 31, 35, 47, 48, 54, 61, 65, 66, 71, 73, 74, 80, 84, 85, 86, 88, 90, 91, 94, 95, 96, 97, 131, 102, 104, 109, 124, 125, 126, 131 Resco Industries Inc. 18, 31, 36 Richards & Assoc. Inc. 30, 27, 74 Riedel International, Inc. 1, 12, 21, 54, 93, 100 The Ruel Engineering Co. 1, 10, 12, 13, 21, 27, 31, 41, 49, 55, 56, 70, 73, 80, 84, 101 Schumacher & Foraito, Inc. 21 Sharon-Bagger Corp. 1, 100 Stone Inc. 71 Sundt Corp. 71 Townsend & Bottum 71 Turner Construction Co. 21, 66, 70, 71, 85, 88, 96, 98, 132 United Engrs. & Const. Inc. 1, 27, 31, 48, 71, 84, 87 VSL Corp. 1 Vinell Corp. 71, 81, 88, 91, 93, 94 Walbridge Aldinger Co. 1 Westcott Constr. Corp. 66 N. B. Zachry Co. 1, 31, 71, 93

400 ENR Largest Construction Contractors

February 1, 1981

Please help Engineering News-Record complete its 1981 reports on the largest U.S. and international construction contractors by providing your company's new construction contract figures at home and abroad for 1980.

The figures needed are indicated on this survey form. You will find a glossary enclosed to help define the terms used on the survey. We urge you to be particularly careful in reporting subcontracts and project (program) general management contracts and/or construction management contracts because some terms have changed on this year's survey.

To meet the printer's deadline, please return this survey form in the enclosed business reply envelope by February 27, and retain a copy for your file.

IMPORTANT Please make any necessary change in your company's name (if incorrect) on the survey form) and note the subsidiaries or affiliates whose 1980 data are included in your total. Please include the name, title and phone number of the company officer we may contact, if necessary, about your reported figures.

Your help in updating ENR's annual Top 400 survey and Top International Contractors survey is much appreciated. You will receive a copy of these reports after they are published April 16 and July 16, 1981, respectively.

Sincerely,

Assistant Cost Markets Editor
Construction Economics Dept.
(212) 997-3418

THE FOLLOWING IS FOR STATISTICAL PURPOSES ONLY AND MAY BE USED IN ENR STORIES UNDERSCORED; IF THE TOP ARE COMPANIES WILL NOT BE IDENTIFIED.

9. If a U.S. based firm, are you an open shop firm? Yes ☐ No ☐
Are you a part of a holding company that has separate open shop and union operations? Yes ☐ No ☐

10. Do you engage in real estate development? Yes ☐ No ☐ For others? ☐
For own account? ☐ What is its contribution to revenues? ____ % of your profits ____ $.

Please feel free to use the space below to comment on your company's or the industry's performance in 1980. Why contract awards went up or down? What your outlook for 1981 is? Are you planning new strategy for the 80s? Can we quote you? Yes ☐ No ☐

Who is your public relations officer?

Name _____ Title _____

Who is your chief executive officer?

Name _____ Title _____

THANK YOU FOR YOUR COOPERATION AND ASSISTANCE. Whom should we contact for inquiries concerning this survey?

Name _____ Title _____

(please type and sign)

Company _____ Phone _____ Telex No. _____

PLEASE MAIL THIS FORM BY FEBRUARY 27 IN THE ENCLOSED BUSINESS REPLY ENVELOPE TO:

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P.O. Box 950
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SURVEY OF LEADING CONSTRUCTION CONTRACTORS
for publication in Engineering News-Record

1. What was the value of new construction contracts awarded your company in calendar 1980 (or latest fiscal year ending: Month _____ Year _____)?

EXCLUDE:
* Contracts for design or engineering only, or studies only.

INCLUDE:
* Prime contracts (awarded to you by the owner).
* Your share of joint venture contracts.
* Subcontracts received from other contractors.
* Engineering and construction (design-construct) contracts.
* The value of heavy installed machinery such as turbines, generators, tanks, process machinery, etc. ONLY if the installation is included in the scope of your contract.
* Project or program general management and/or construction management contracts.

A. Projects in your home country (domestic)..... $ _____

B. Projects outside your home country (foreign)..... $ _____

C. Total (lines 1A + 1B)..... $ _____

2. Of the total contracts listed in question 1C, how much was for subcontracts received from other contractors..... $ _____

If you are a specialty contractor, what is your major line of work:
electrical ☐ mechanical ☐ other _____

3. A. Does your firm do design as well as construction work?
Yes ☐ No ☐

B. If "Yes", how much of question #1 was the value of design-construct contracts awarded your company in 1980?

Domestic $ _____, Foreign $ _____ $ _____ (total)

C. What was the total estimated construction cost of projects for which you were awarded design-ONLY contracts in 1980?

Domestic $ _____, Foreign $ _____ $ _____ (total)

4. Did you include in question #1 any contracts for project (program) general management and/or construction management? Yes ☐ No ☐

If "Yes", what was the value of these contracts?

Domestic $ _____, Foreign $ _____ $ _____ (total)

Does this figure represent project (program) general management ☐ Construction management ☐ Both ☐

5. Please check the types of construction your company does:

☐ General building	☐ Manufacturing plant	☐ Powerplant	☐ Mining
☐ Highway	☐ Chemical process plant	☐ Dam	☐ Synthetic fuels
☐ Bridge	☐ Other process plant	☐ Marine, port	☐ Airports

6. Please check in Column A countries where you had construction projects underway in 1980. Also, check in Column B countries where you worked for THE FIRST TIME in 1980.

	A	B		A	B		A	B
1. Canada	☐	☐	56. United Kingdom	☐	☐	100. ANTARCTIC/ARCTIC	☐	☐
2. United States	☐	☐	55. U.S.S.R.	☐	☐			
			56. Yugoslavia	☐	☐			
LATIN AMERICA								
10. Argentina	☐	☐	MIDDLE EAST			NORTH AFRICA		
11. Bolivia	☐	☐	60. Afghanistan	☐	☐	101. Algeria	☐	☐
12. Brazil	☐	☐	61. Bahrain	☐	☐	102. Egypt	☐	☐
13. Chile	☐	☐	62. Iran	☐	☐	103. Ethiopia	☐	☐
14. Colombia	☐	☐	63. Iraq	☐	☐	104. Libya	☐	☐
15. Costa Rica	☐	☐	64. Israel	☐	☐	105. Morocco	☐	☐
16. Ecuador	☐	☐	65. Jordan	☐	☐	106. Somalia	☐	☐
17. El Salvador	☐	☐	66. Kuwait	☐	☐	107. Sudan	☐	☐
18. Guatemala	☐	☐	67. Lebanon	☐	☐	108. Sub Sahara nations	☐	☐
19. Guyana	☐	☐	68. Oman	☐	☐			
20. Honduras	☐	☐	69. Pakistan	☐	☐	109. Tunisia	☐	☐
21. Mexico	☐	☐	70. Qatar	☐	☐			
22. Nicaragua	☐	☐	71. Saudi Arabia	☐	☐	AFRICA		
23. Panama	☐	☐	72. Syria	☐	☐	120. Angola	☐	☐
24. Paraguay	☐	☐	73. Turkey	☐	☐	121. Botswana	☐	☐
25. Peru	☐	☐	74. U.A.E.	☐	☐	122. Cameroon	☐	☐
26. Uruguay	☐	☐	75. Yemen, North	☐	☐	123. Gabon	☐	☐
27. Venezuela	☐	☐				124. Ghana	☐	☐
			ASIA			125. Guinea	☐	☐
CARIBBEAN ISLANDS			80. Australia	☐	☐	126. Ivory Coast	☐	☐
30. Greater Antilles	☐	☐	81. Bangladesh	☐	☐	127. Kenya	☐	☐
31. Puerto Rico	☐	☐	82. Brunei	☐	☐	128. Liberia	☐	☐
35. Lesser Antilles	☐	☐	83. Burma	☐	☐	129. Malawi	☐	☐
			84. China (P.R.C.)	☐	☐	130. Mozambique	☐	☐
EUROPE			85. Taiwan	☐	☐	131. Nigeria	☐	☐
40. Austria	☐	☐	86. Hong Kong	☐	☐	132. Senegal	☐	☐
41. Belgium	☐	☐	87. India	☐	☐	133. South Africa	☐	☐
42. Denmark	☐	☐	88. Indonesia	☐	☐	134. Tanzania	☐	☐
43. East Europe	☐	☐	89. Japan	☐	☐	135. Uganda	☐	☐
44. Germany, West	☐	☐	90. Korea, South	☐	☐	136. Upper Volta	☐	☐
45. Greece	☐	☐	91. Malaysia	☐	☐	137. Zaire	☐	☐
46. France	☐	☐	92. New Zealand	☐	☐	138. Zambia	☐	☐
47. Ireland	☐	☐	93. Pacific Islands	☐	☐	139. Zimbabwe/Rhodesia	☐	☐
48. Italy	☐	☐	94. Philippines	☐	☐			
49. Netherlands	☐	☐	95. Singapore	☐	☐			
50. Portugal	☐	☐	96. Sri Lanka	☐	☐			
51. Scandinavia	☐	☐	97. Thailand	☐	☐			
52. Spain	☐	☐	98. Vietnam	☐	☐			
53. Switzerland	☐	☐						

THE FOLLOWING DATA ARE FOR STATISTICAL PURPOSES ONLY. COMPANIES WILL NOT BE IDENTIFIED.

7. Please show how much of your total new construction business, on line 1B, was for projects in each area:
Middle East: $ _____ Asia: $ _____ Europe: $ _____
Africa: $ _____ Latin America: $ _____ Canada: $ _____

8. Did you make a net profit during 1980 on your construction operations ...
... in your home country? Yes ☐ (____ % of year-end revenue) No ☐
... outside your home country? Yes ☐ (____ % of year-end revenue) No ☐
How do you calculate profit? Based on value of work completed? Yes ☐ No ☐
Based on revenues of turnover? Yes ☐ No ☐
Other? (specify) _____

[illegible] FOR THE TOP 400 & INTERNATIONAL CONTRACTORS SURVEY

[illegible] YOUR FIRM RANKED

Your rank on the Top 400 list is determined by item 1C.
Your rank on the international list is determined by item 2B.
Your rank on the design-construct list is determined by item 3B plus 3C.
Your rank on the project-program and/or construction management lists is determined by question 4B.

Prime construction contracts

Total value of contracts where your company is primarily responsible to and will be paid by the owner.

Engineering and construction design-construct contracts

Total estimated costs of contracts where your company, employing in-house engineering and construction capabilities, is responsible to and will be paid for by owners for the engineering, design and construction of a specific project.

Engineering design-only contracts

Total estimated cost of engineering and design services which your company will provide on projects which others will construct.

Subcontracts

Total estimated cost of contracts where your company is responsible to a prime contractor for completion of given portions of a project.

(Note: the Top 400 list will exclude specialty contractors. (In previous years a specialty contractor could qualify for the Top 400 if its prime contracts were above the minimum cut-off.) Beginning this year, however, a separate listing of leading specialty subcontractors will appear in the August 27th issue of ENR. The list will include mechanical (HVAC), electrical, excavation-foundation, steel erection, roofing-sheet metal, demolition-wrecking and glazing contractors.)

Project (program) general management contracts and/or construction management contracts

Total estimated cost of projects included in special agreements which obligate your company to provide project (program) general management services and where outside firms may provide engineering and/or construction services either as your subcontractor or under a separate contract directly with the client.
Deduct the estimated cost of any services and equipment/materials not purchased by your company.

NOTE:

(In previous years construction management projects were excluded from the Top 400 list. To reflect changes in the construction market, ENR's list of top contractors will include this year the dollar value of the construction management and/or project (program) general management contracts. For instance, if your firm had $30 million in prime contracts and also had primary responsibility for the overall management of a $60-million project, where you were not required to perform construction, your firm would be ranked at $90 million.)

Suggestions and comments

Please feel free to use the space below for any refinements you recommend for the above definitions and survey format, and return your comments with the survey form.

_____

_____

_____

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Mr. HARRELL. Hi Lo Industries was incorporated June 15, 1977, in the State of New York and received its 8(a) certification on July 5, 1978.

Until I was certified in the SBA 8(a) program in July 1978, the largest project Hi Lo Industries had completed was in the amount of $250,000. I was plagued with several problems, namely establishing a track record, a line of credit, the inability to obtain bonding and competitive bidding on the commercial market.

Public Law 95-507 made it possible for Hi Lo Industries to obtain work on a noncompetitive basis and to have access to bonding, technical and management assistance from the Small Business Administration.

The award of the storm windows and insulation at Fort Leonard Wood, Mo., in the amount of $4,076,585 has catapulted our firm into the big arena.

In February 1979, the Small Business Administration sent a search letter outlining our capabilities and requesting work for our firm. The Small Business Administration received a reply from the Corps of Engineers in Omaha, Nebr., that the Fort Leonard Wood, Mo., project was available in the amount of approximately $6 million, and that their office was unable to identify 8(a) contractor qualified to do the work and that our capabilities matched the project requirements.

The job consisted of replacement of approximately 6,000 aluminum windows, 500 buildings to be insulated, 150 buildings to receive steel siding and various areas within these buildings to receive new sheetrock, spackling, painting, a small amount of electrical work and wood siding to match the existing.

Due to the dollar value of this contract we joint-ventured with Peerless Construction of Kansas City, Mo.

After several negotiations with the Army Corps of Engineers we were awarded the contract on December 4, 1979, in the amount of $4,076,585.

We received our notice to proceed on March 24, 1980, and given until November 1981 to complete the project.

As previously mentioned the completion date of this contract was November 1981. Hi Lo Industries was able to demonstrate its capabilities and management skills by successfully completing this project in July 1981. Because of the manner in which this contract was performed, we feel very strongly that this is evidence of Hi Lo's capability to perform on the same level as a majority firm.

Prior to our receiving this award we began training William L. Payton, Jr., an undergraduate of Howard University's School of Engineering. The Fort Leonard Wood project afforded him the opportunity to view firsthand a major construction project involving a minority firm.

Because of his engineering talents Mr. Payton eventually became the assistant general superintendent, safety officer and project engineer. After his graduation from Howard University this past May he returned to the project as general superintendent and closed out the job to a successful conclusion.

Mr. Payton will manage the Fort Gordon, Ga., project this October in the capacity of project manager, safety officer and quality control officer.

I would like to impress upon all present the importance of Public Law 95-507 and the pilot program to minority firms.

Engineering News Record has published the top 400 general contractors in the United States. None of these firms are minorities, to the best of my knowledge.

Let us examine the Bechtel Group, Inc., of San Francisco, Calif., which is No. 1 as listed by Engineering News Record. Their total volume is listed at $10,615,000,000 with the foreign volume reported at $8,493,000,000.

H. J. High Construction Co., Orlando, Fla., is listed as No. 400, and their total volume is listed at $42 million. They report no foreign volume.

Black Enterprises has published the top 100 minority business enterprises in the United States. Listed as No. 1 in the construction field is Herman J. Russell, Atlanta, Ga., with a total volume of $54 million. The last listed, No. 72 in the construction industry, is Bush Construction Co., Chicago, Ill., with a total volume of $7.5 million.

Please note that of the top 100 black-owned businesses only 8 are in the construction industry.

Let us once again examine the Bechtel Group in a different field—design and construction. Their total volume is $8,774 million, with a foreign volume reported at $6,652 million. Their design-only volume is $292 million. The minority firms cannot even begin to approach the Bechtel Group design-only volume which again is $292 million, as stated.

It is quite apparent that we must have help. It is also evident by comparison that we cannot become viable in a 1- or 2-year period.

We respectfully urge that the pilot program be extended in order that other contracts may be awarded to Hi Lo Industries and other eligible firms to increase their progress toward viability.

We cannot begin to emphasize the importance of extending this legislation. We are all aware of the plight of the small minority business firms and their inability to compete with the large majority firms.

Hi Lo Industries, Inc., is most appreciative of the opportunity it has received to demonstrate what small minority firms can do if only given the opportunity to do so.

Thank you.

Mr. MITCHELL. Thank you, Mr. Harrell.

You have been in the 8(a) program more than 1 year.

Mr. HARRELL. Yes.

Mr. MITCHELL. Which would have meant that you were ineligible for the bond waiver program.

Mr. HARRELL. Yes.

Mr. MITCHELL. Did that present any difficulty to you?

Mr. HARRELL. Yes. By being ineligible it made us joint-venture with another firm, which was beneficial to us at that particular time.

Mr. MITCHELL. Had you been eligible would you have joint-ventured?

Mr. HARRELL. I don't think so.

Mr. MITCHELL. And the joint venture was only because of the bonding problem?

Mr. HARRELL. That is correct.

Mr. MITCHELL. Has there been a report from the Corps of Engineers on the project that you completed, as to the work done, whether it was done satisfactorily—certainly is was completed before the time schedule—before November?

Mr. HARRELL. Yes.

Mr. MITCHELL. Was there any official report that you know of from the Corps of Engineers on the quality of the work that you performed?

Mr. HARRELL. I understand that the Corps of Engineers is drafting up a report now, and they are going to give us some awards—like the safety award, and this takes some time.

Mr. MITCHELL. Insofar as extension of the Army 8(a) pilot program what would be the length of time that you would recommend it be extended?

Mr. HARRELL. Mr. Chairman, that's a very, very difficult question for me to answer. When I looked at the Engineering News Record report of the Bechtel Group and the billions of dollars of their sales volume, and I look at the No. 400 firm which is $42 million—I mean this is 400 majority firms. I am just at a loss to give an answer. We do need a lot of help, and we need time in order to get this help.

Hi Lo Industries is only up one rung on that ladder.

Mr. MITCHELL. Now, based on your experience, what was the attitude of the Corps of Engineers of the Army? Was it supportive, cooperative?

Mr. HARRELL. Extremely supportive, and very, very cooperative.

Mr. MITCHELL. Thank you very much.

Mr. Hiler.

Mr. HILER. Thank you very much, Mr. Chairman.

I am curious—you said that had you been able to get the bonding, you would not have gone into a joint venture?

Mr. HARRELL. No; we wouldn't have.

Mr. HILER. Yet you said that you considered the joint venture to have been successful?

Mr. HARRELL. Yes; it was.

Mr. HILER. Do you think that had you completely done the project without the joint venture that it would have been as successful?

Mr. HARRELL. It would have been as successful, or maybe even more.

Mr. HILER. What kind of firm was it that you joint-ventured with?

Mr. HARRELL. Pardon me?

Mr. HILER. What kind of firm was it that you went into the joint venture?

Mr. HARRELL. Peerless Construction.

Mr. HILER. Was that a minority firm?

Mr. HARRELL. No; they are a majority firm. We never could have done this with another minority firm, and if you recall when the search letter was sent out and the answer came back, this project was in the amount of $6 million. That was the estimated value of the project. As it turned out it was $4,200,000—in round figures.

There aren't—there are only one or two minority firms that I know of in this country that can get that type of bonding.

Mr. HILER. What has been the result since you began this project and brought it to successful completion? Have you found your ability to garner other contracts—either through 8(a) or through the regular process has been enhanced, or——

Mr. HARRELL. Sir, I would like to say and I'd like to sit here and say everything is peaches and cream. It just isn't. We find that when we go to the Corps of Engineers that we are received—our reputation now has preceded us—and they are very interested in giving us additional work.

But out on the commercial market—and this is a very, very sad story that I have to tell, and I would like to tell it—Howard University is a black university. There was a black architect who designated a window replacement job—which came out very similar to the job that we did at Fort Leonard Wood. We went to the window manufacturer since it was a closed specification—by that only one manufacturer could quote this job, and we were told, hey, we want to work with you.

We came back to our office and spent a lot of money, a lot of time in estimating the job. We called the window manufacturer and we asked him for the price of the job. "Oh, Al," he says, "our window doesn't meet the specification." So we figured at that particular point in time to drop it because we were busy with other things.

Oh about 2 months ago I was on the phone with a friend of mine in the same business and we were talking. He says, "Hey, we got a commission on this job." It was the same window manufacturer. He just wouldn't quote us.

Now we had no opportunity to do that job, nowhere to display our skills. And we run into this time and time again. We've run into it on the civic center here in the District.

Mr. HILER. What do you think your sales volume will be this year?

Mr. HARRELL. We have a backlog of $1 million. That's the Fort Gordon project which came through the 8(a) program.

Mr. HILER. So you would think that your total sales for the calender year 1981 then would be somewhere near $4 million?

Mr. HARRELL. Well, the $4 million job has been completed, and I don't know how our accountant is going to put one with the other, but I would say, since the Fort Leonard Wood project was being a joint venture the total sales would be somewhere around $3 million.

Mr. HILER. Did you make money on it?

Mr. HARRELL. Yes, sir; we did.

Mr. HILER. Thank you very much.

Mr. MITCHELL. That's the most encouraging part.

Mr. STATON. Mr. Harrell, we appreciate you testimony this morning. I used to be at Ford Leonard Wood. I hope the buildings are now in better shape than they were when I was out there.

On this construction company—Hi Lo Industries—how many people do you employ?

Mr. HARRELL. We have five in our office. We have a staff of five people.

Mr. STATON. So you're just a general contractor?

Mr. HARRELL. Yes, sir.

Mr. STATON. I'm not in the construction business, so you have to bear with me a little bit because of my ignorance as far as these terms are concerned. When you got a $4 million contract for doing the work at Fort Leonard Wood you entered into a joint venture with another general contractor because he could get a bond and you couldn't—is that correct?

Mr. HARRELL. Peerless Construction of Kansas City, Mo.

Mr. STATON. When you got the contract, who did the subcontracting since you obviously didn't do the work yourself?

Mr. HARRELL. I did do the work myself.

Mr. STATON. Oh.

Mr. HARRELL. With our five specialized people, we investigate the area to be worked. Do all contractors practice like this? If I go from here to Chicago, Ill., I am not going to take 50 people with me. That is going to be very, very costly. Now what I do when I get into the area is to hire local people. I go either to a union shop or I put out advertisement. One way or the other we are able to utilize the local talent in that particular area.

Mr. STATON. OK; I understand that. Based on your office staff of five people?

Mr. HARRELL. Yes.

Mr. STATON. How much was your total volume during that year that you had this contract for Fort Leonard Wood? Were you doing other work at that time?

Mr. HARRELL. Yes; $70,000.

Mr. STATON. With a contract of that size, and again I must ask you to forgive my lack of knowledge regarding the construction business—is that a large contract—$4 million? It sounds like a big one to me.

Mr. HARRELL. Well, no it isn't. I just stated here that the Bechtel Group of San Francisco, Calif., is doing work in the billions.

Mr. STATON. I understand that. But what would be the volume of the average general contractor in the Washington area?

Mr. HARRELL. I don't know about the Washington area, but if you take an average of what Engineering News Record has published the average would be somewhere around $300 million for a medium size general contractor within the United States.

Mr. STATON. $300 million?

Mr. HILER. Will the gentleman yield?

Mr. STATON. Yes.

Mr. HILER. Now that must be of some particular orientation. I have a district that comprises 60 by 60 square miles, 510,000 people, and I don't think I have one contractor in it, and I've got a major metropolitan area—South Bend, Inc.—that has done $300 million worth of sales in a year. In fact, I would say that if we have any contractors that are doing $50 million, they are doing well above average. And that's northern Indiana—an industrial sector of the country. So I think there may be some misunderstanding of just how we're following these numbers down.

Mr. HARRELL. Well, I can only be guided by what Engineering News Record has published, if you take an average of those 400 contracts.

Mr. HILER. Well, you can't take an average of who runs the largest contract. You know, the question was, what is the average general contractor in the country, and the average general contractor in the country is probably somewhere in the neighborhood of $10–$12–$15 million annual sales as opposed to $300 million.

Mr. HARRELL. I would have to dispute that.

Mr. MITCHELL. Didn't you say medium size firms?

Mr. HARRELL. That's right, of medium size.

You have general contractors today which are doing things that we still have not been able to approach. They are into design, construction, and construction management. We're not even into that. This is where their volume comes from.

Mr. HILER. OK. I am just going through the general contractors that I know in my district, and I know almost all of them, and I can say that I don't think any of them have a sales volume of $300 million a year. So it is just one example of my district in Indiana.

Mr. STATON. I guess if you factored in Bechtel, doing billions, then the average would be higher. If you take a look at the 400 top, which you mentioned there, you said no—let me see if I can get this again now—no minority contractors in the top 400?

Mr. HARRELL. That is right, to the best of my knowledge.

Mr. STATON. Black Enterprises has published the top 100 minority business enterprises in the United States. Listed as No. 1 in the construction field is Herman J. Russell, which is $54 million, but the last one here was the H. J. High, and they are $40 million.

How did they miss the top 400? I'm just curious to know why they wouldn't be included in that group.

Mr. HARRELL. Those are a little curious but I presented the figures as they are for a comparative basis. You have Russell doing the volume of work that he is doing, and you can compare him to the last 50 contractors as listed by Engineering News Record.

Why don't we take a look at the eight contractors that Black Enterprise lists, and look at the lowest one, $7 million. Now, compare that with the lowest as published by Engineering News Record as $40 million. There is no parity there.

Mr. STATON. I understand what you are saying, and I have to say I do have a personal problem with the 8(a) program as it stands, because there is a small business set-aside in many Government contracts. The 8(a) program further subdivides that—we're looking at small business all across the country competing for a set-aside portion of business, and yet we are excluding another portion of that.

It would seem to me that it would almost be in your interest to increase the size of the small business set-aside and compete on an open basis for it. It seems to me like you obviously indicated that you can perform very well if you had a contract finished in July that was not called for completion until November, that it might be in your best interest to increase the small business set-aside and to do the Army work or the 8(a) work itself, let that go and get a larger small business set-aside—if I'm making myself clear.

Mr. HARRELL. I think I do understand some of the things that you are saying. But you said something also about the commercial market, and I would like to think we are ready for that right now, but we just aren't. We can't get prices.

Let's give a for instance here. When we were awarded the Fort Gordon project, I sent out a letter, and that letter would generally state we are 8(a) contractors and we have been awarded the particular job. Now, we got prices that were just unbelievable. And with people we thought that we could trust, we would compare those prices, and if we went out on the competitive market with some of those high prices, we just could not exist. There is no way in the world we could. We do not need larger contracts; we do need more 8(a) set-asides, and in a high-dollar volume in the contruction field.

Mr. STATON. Given a couple of contracts like this one at Fort Leonard Wood, what would it take for you to feel comfortable in your own business to be able to go out on a competitive basis?

Mr. HARRELL. I would think we would have to do a volume somewhere close to $20 million for us to begin to even think that we are viable. There isn't that much profit in these contracts. When you negotiate with the Army Corps of Engineers, their percentage ranges around 12 to 18 percent profit.

Now, if you take a look at that, that really isn't much money. So we have to go time and time again to do these jobs and to put the money back into the firm.

Mr. STATON. But the way you would increase your profit in that is to do the job quicker and to do it as well as you can during the shortest length of time.

Mr. HARRELL. That is the only way. If we are allocated—say like on the Fort Gordon job in Georgia, we are given a year to complete that project. If we don't do it in 3 to 4 months, 4 months at the most, we will not make money.

Mr. STATON. But when you made the bid on that, calculated out for 1 year's worth of work, you're telling me there would be no profit in it if you followed the contract out to the extension?

Mr. HARRELL. Well, you see, they list the number of calendar days that you have to do the job. Now, you recognize this. You have an experienced group of erectors, and you realize as you're sitting and negotiating with the Army Corps of Engineers what their profit level is. You are calculating in your own mind—with your group, you know what they can do. You have watched them do it once and you have an experience with it. So when you negotiate—and naturally, this falls within the negotiation within that period of time.

Now, as I said, you have to count. We, as estimators, sit and look at a job and we say "Well, we have 1 year to do this job; we can do it in 4 months." That's where our money comes from.

Mr. STATON. What kind of profit margin is built into the contract as far as a year's period of time? What kind of profit margin would the Army Corps incorporate in their calculations?

Mr. HARRELL. Well, the same thing that we negotiated, between 12 and 18 percent. The Fort Gordon job was 12 percent.

Mr. STATON. No further questions, Mr. Chairman.

Mr. MITCHELL. Thank you.

Mr. Daub?

Mr. DAUB. Thank you, Mr. Chairman. I have no questions. I am familiar with the program and understand its direction.

Mr. MITCHELL. Thank you.

I just have two questions. Do you think it would have been possible for you to have gotten that size contract in any other agency of Government—the Department of Energy? Have you made efforts with the other agencies of Government?

Mr. HARRELL. Mr. Chairman, I think, even before I was in the 8(a) program, I believe I visited just about every agency within the Government. All we were able to get was $70,000 worth of work.

Mr. MITCHELL. One other question. This was a $4 million contract and that exceeds the $1 million statutory limit on surety bond guarantees. Thus, you wouldn't even have had a shot at getting a surety bond guarantee?

Mr. HARRELL. None whatsoever.

Mr. MITCHELL. I guess it just points out that we just have to pursue that program.

Thank you very much.

Mr. HARRELL. Thank you.

Mr. MITCHELL. Mr. Cardenas, thank you very much for being here, I just saw you gentlemen last evening, I think.

TESTIMONY OF MICHAEL CARDENAS, ADMINISTRATOR, SMALL BUSINESS ADMINISTRATION; ACCOMPANIED BY DONALD T. TEMPLEMAN, DEPUTY ADMINISTRATOR; ROBERT L. WRIGHT, ASSOCIATE ADMINISTRATOR FOR MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT; AND PETER F. McNEISH, ASSOCIATE ADMINISTRATOR FOR INVESTMENT DIVISION

Mr. CARDENAS. Thank you, Mr. Chairman, members of the subcommittee, and staff.

It is a pleasure to appear before the Committee on Small Business to discuss my views on the Small Business Administration's 8(a) pilot procurement program and the 8(a)(2) bond waiver. After giving a brief statement, I will be pleased to answer questions.

I have with me members of my staff, including Don Templeman, Deputy Administrator, to my immediate right. To my immediate left is Robert L. Wright, Associate Administrator for Minority Small Business and Capital Ownership Development. To my far right is Peter NcNeish, who is the Associate Administrator for Investment Division.

Regarding the 8(a) pilot procurement program, the authority for experimental 8(a) pilot procurement program is contained in Public Law 95–507, which was signed into law on October 24, 1978. The law allows SBA to reserve procurement contracts for eligible 8(a) firms from a Federal agency designated by the President.

In January 1979, the President designated the Department of the Army. In 1980 the program was extended for another year.

The pilot program is designed to test whether SBA can accelerate the development of 8(a) concerns by awarding nontraditional, technically sophisticated, high volume, long-term contracts. Additionally, the pilot program will enable us to determine whether providing SBA the authority to select contracts is a viable way of modifying the procurement practices of Federal agencies with respect to minority firms. It will also give SBA the opportunity to demonstrate that 8(a) concerns can with targeted SBA assistance

overcome specific impediments that should prevent these concerns from successfully completing more difficult projects.

SBA concurs with the analyses and recommendations of the General Accounting Office concerning the past management of the pilot program.

While it is true that all pilot contracts are currently being performed satisfactorily, I believe that the final result must be analyzed before any final conclusions can be drawn.

In light of the new management direction being applied to the 8(a) program, I believe SBA can successfully manage and execute the continuation of the pilot experiment with a civilian agency.

If the pilot procurement authority is extended, SBA will focus on two basic objectives. First, we will compare requirements awarded under the pilot program with requirements awarded under the regular 8(a) program to determine the relative value of the pilot authority in securing desirable contracts. Second, we will carefully assess the performance of 8(a) companies undertaking pilot projects to verify the extent to which targeted SBA assistance, coupled with the opportunity to perform more difficult procurements, results in the actual expansion of company capability.

To achieve the aforementioned objectives, SBA intends to utilize the following plan of action: One, during the first quarter, SBA will establish a mutually cooperative relationship with the designated agency; establish a formal procedure for the mutual evaluation by SBA and the designated agency of the capability of firms selected for the pilot; explore the feasibility of introducing technical competition, to be mutually evaluated by SBA and the designated agency, in determining the most capable firms to perform a particular project; establish guidelines to prohibit self-marketing of potential pilot projects by 8(a) concerns; and negotiate and execute an interagency agreement with the designated agency.

Second, during the second quarter, SBA will begin the process of selecting up to 15–20 projects to match with one or more 8(a) concerns selected to participate in the experimental program; develop an appropriate evaluation instrument to assess problems and progress related to pilot program objectives.

Third, during the remainder of the program, SBA will maintain tight management controls to monitor the execution of pilot projects, as well as the performance of other 8(a) firms not involved in the pilot; and maintain effective communication with the designated agency.

Fourth, SBA will evaluate the program results and provide a preliminary pilot program evaluation to the Congress on findings to date by March 31, 1983.

Mr. Chairman, I believe these actions, coupled with the priority commitment we are prepared to give the experimental program, will serve to provide the Congress with adequate information to evaluate this pilot program.

The new administration would like to have the opportunity to administer this experiment in an effective and competent manner. We, therefore, support legislation such as S. 1620 that would extend the program for 18 months in an agency other than the Department of Defense.

Mr. Chairman, I wish to emphasize that if the Small Business Administration under my direction is given the chance to make this program work, a team approach and not an adversary one will be initiated to make this program successful. Under my management, SBA's approach will be one of cooperation and prudent business judgment.

I might allude to an earlier statement regarding an adversary relationship with a particular agency. I have, as I commented earlier, initiated an intense visit with all Federal agencies. We have visited about 25 of them in order to mend our fences. We are determined to work toward a cooperative working relationship with them. I will continue these visits until I have finished the long list of Federal agencies.

Mr. Chairman and members of the subcommittee, in addition to the 8(a) pilot, the committee has requested the Small Business Administration's views on another expiring provision of the law, the 8(a) bond waiver.

Section 8(a)(2) of the Small Business Act gives the SBA Administrator temporary, discretionary, and conditional authority to declare inappropriate the bond requirement that a Federal contracting agency may have established for an 8(a) contractor. In effect, this gives SBA the authority to waive the bond requirement and assume all of the functions and obligations ordinarily performed by a commerical surety company.

The provision is temporary, having been enacted first on October 24, 1978, as a 2-year pilot experiment, with a sunset date of September 30, 1980. Last fall the provision was extended for 1 additional year, until September 30, 1981.

The statute authorizes a bond waiver only if very explicit conditions are met. In the main these are as follows:

The contractor is a startup concern and has been in the 8(a) program for no more than 1 year; that the contractor cannot obtain a surety bond even with SBA's surety bond guarantee; that in SBA's judgment, the contractor has the capacity, with SBA assistance, to become bondable within a reasonable period of time; and that the SBA Administrator determines that the Federal contracting agency's bond requirement is inappropriate for the particular 8(a) contractor.

SBA recommends that the bond waiver provision not be further extended. There are three principle reasons for our recommendation:

First, implementation would discriminate against users of the regular SBA surety bond guarantee program. Under this program, both contractor and the surety company pay a fee to SBA in exchange for a surety bond agreement, usually 80 to 90 percent of the amount of the bond. In contrast, the bond waiver provision would provide a 100-percent guarantee with the fee requirement.

Second, successful operation of a surety bond program requires the evaluative skills and judgment of commerical surety companies, coupled with information about the past experience of the contractor. For SBA surety bond personnel to both take on the surety's responsibility and at the same time exercise that responsibility in much more difficult circumstances—on contractors with little or no experience—would make it difficult to achieve high

program operating standards and also be disruptive to the regular surety bond program.

Finally, a bond waiver would provide little or no long-term benefit to an 8(a) contractor. The purpose of the surety bond process is to prequalify a firm. A firm that is fully bondable in the private surety bond market is assumed to be prequalified for purposes of bidding on contracts. But even if an 8(a) firm should satisfactorily perform a contract under a bond waiver program, it still would have no track record in the private sector surety bond market.

For these reasons, Mr. Chairman, we recommend against further extension of section 8(a)(2).

Mr. Chairman, this concludes my prepared remarks. I would be pleased to answer questions.

Mr. MITCHELL. Thank you, Mr. Cardenas.

You recommend that the program be extended to include a civilian agency. It seems to me that, with the enormous increase in funds going to the military, the possibility of the program being more effective would rest with the military rather than with a civilian agency, especially in light of the fact that most of the civilian agencies have undergone rather substantial cuts as imposed by the Congress and recommended by the President. It just seems to me that by making that shift you are lessening the chances really of getting a substantial number of contracts under this program.

What is your response to that?

Mr. CARDENAS. While I recognize that budget reductions have been imposed on civilian agencies, I believe sufficient funds remain to provide a reasonable choice of projects suitable for the pilot program. Mr. Chairman, please bear in mind two things. First, SBA intends to select only 15–20 projects for the program. Second, and more important, success of the pilot experiment will not be measured by the dollar value of contracts alone, but by whether the pilot authority facilitated access to more challenging projects for particular 8(a) concerns that are available under the regular 8(a) program.

Mr. MITCHELL. But all of the civilian agencies have experienced substantial reductions in budgets; is that correct?

Mr. CARDENAS. Yes.

Mr. MITCHELL. Therefore, because of those substantial reductions there would be a lesser, a diminished chance for contracts under this program as opposed to the military, to which we have given very hefty increases; is that not true?

Mr. CARDENAS. Possibly. However, I maintain the belief that requirements of sufficient scope will be available in the smaller agencies.

Mr. MITCHELL. I am not sure that I agree with that.

You are recommending an 18-month extension. Our legislation calls for a 2-year extension. We suggested a 2-year extension primarily because of some of the things you have spelled out in your testimony and I am very pleased with what you are recommending. But during the first quarter you will establish a mutually cooperative relationship, and in the second quarter begin the process of selecting and so forth. That is 6 months used up before you actually begin to implement. Therefore, it would make sense to me to

tack that 6 months on and make it for 2 years, so that you could go through your full procedures prior to implementation.

Wouldn't that make better sense?

Mr. CARDENAS. Well, let me say you have my full cooperation with either length of time. I just feel that we can do it in 18 months.

Mr. MITCHELL. You will really use two quarters in setting it up, right? So that reduces your 18 months to 1 year.

Mr. CARDENAS. Right. I can work either way, but I feel that I will accept the challenge of doing it in 18 months if need be.

Mr. MITCHELL. I would hope that we could have a 2-year period, because I think you are on the right track, by carefully building up the process by means of which this should work. On the other hand, based upon the experience with SBA under another Administrator, where apparently very little was done, that was one of the reasons why the program had not been successful.

I think it is to your benefit to go for 2 years and follow through on these carefully planned procedures, and then you can have the effective time to really evaluate the program.

Well, I have some questions on the surety bond waivers, but I guess we will let some other members raise their questions first. I will come back to that.

Mr. HILER. I'm not sure that I totally understood your testimony. Are you saying you would like to see the Army dropped from the pilot program and the inclusion of the civilian agency, or continue with the Army and add a civilian agency?

Mr. CARDENAS. The former, I think it would give us a better basis of testing the pilot program in comparison to the 8(a) program if another agency were designated, a non-Defense agency. That is basically our position.

Mr. HILER. So you're saying to drop Defense——

Mr. CARDENAS. Right. For whatever reasons, there has been an adversarial relationship with DoD that will be mended. I have initiated that. But I just feel that we would have a better basis for comparison by going to a civilian agency.

Mr. HILER. Do you have an agency in mind?

Mr. CARDENAS. Not in particular. Well, there are one or two. Of course, NASA, and the Department of Transportation, are very strong possibilities. And Energy—well, I wouldn't want to say Energy, not now. [Laughter.]

Mr. HILER. I understand that in the Senate hearings yesterday the Associated General Contractors recommended that general construction be dropped from the pilot program provision. How do you feel about that?

Mr. CARDENAS. Well, they brought up some very good points. I haven't arrived at a conclusion on that, Congressman, but they certainly brought up some very valid points in their testimony.

Mr. HILER. But you're not prepared to comment on those points?

Mr. CARDENAS. I would rather not at this time.

I can well appreciate what they were alluding to, because I have had experience in general construction from my past accounting experience and have worked with contractors, but not in defense. More in general construction. They certainly brought up some very valid points.

Mr. HILER. Let me ask: In your past accounting background, how many general construction firms did you see with volumes over $300 million?

Mr. CARDENAS. None; not in my area anyway.

Mr. HILER. And your area was——

Mr. CARDENAS. In the San Joaquin Valley in California. Of course, I was involved primarily with offices and home construction and that type of thing.

Mr. HILER. Which is what the average general contractor does?

Mr. CARDENAS. Right.

Mr. HILER. The GAO has raised some criticisms that:

> The SBA lacks sufficient information to properly assess and match 8(a) firms capabilities with procurement activities. A similar problem exists with SBA's ability to assess the overall performance of 8(a) firms.

How do you reply to GAO's criticism and what kinds of action will you take to change that?

Mr. CARDENAS. I will let Mr. Templeman answer that.

Mr. TEMPLEMAN. The criticisim is in part valid. SBA is not staffed with the types of disciplines of engineering generally that are required in some of the more sophisticated projects. That is one of the reasons, as pointed out in Mr. Cardenas' statement, that we would form a more cooperative association with the Agency and, in effect, rely upon some of their technical expertise at the lower levels on such evaluation, either of the potential or their performance. We simply don't have those kinds of people and there is very little likelihood that we would.

Mr. HILER. So how do you anticipate getting around the problem?

Mr. TEMPLEMAN. By working with the agency that is designated, and using some of their technical talent in managing that evaluation.

Mr. HILER. Thank you very much, Mr. Chairman. No further questions.

Mr. MITCHELL. Mr. Staton.

Mr. STATON. Good morning, Mr. Cardenas.

Mr. CARDENAS. Good morning.

Mr. STATON. In talking about the 8(a) program for military construction, which Mr. Harrell is involved in, what impact do you see the Davis-Bacon Act having on the ability of minority contractors to make reasonable profits?

Mr. CARDENAS. Bob, can you address that?

Mr. WRIGHT. I don't think the Davis-Bacon Act will have a tremendous effect on the ability of minority contractors to make a profit. Since prevailing wage rates are considered when a contractor, minority or nonminority considers his price to do a job, these wage rates should not affect profitability—just the total cost of the job to the procurer.

Mr. STATON. Has SBA taken any position whatsoever regarding the amendments to Davis-Bacon, to limit the scope of the prevailing wage or things of this nature?

Mr. TEMPLEMAN. We have not actually taken a position on it. Our Office of Advocacy is currently reviewing the impact of the newly proposed Davis-Bacon regulations in the Department of Labor on small business in general and minorities in particular. But we haven't concluded that study as yet.

Mr. MITCHELL. Would the gentleman yield for just one quick question?

Mr. STATON. Certainly.

Mr. MITCHELL. Prior to this new evaluation, in the past, was there any evaluation of the impact of Davis-Bacon on small business?

Mr. TEMPLEMAN. I'm not aware that there is or isn't. I am not clear on that point. We could submit that for record if you like.

Mr. MITCHELL. If there is, I would like to take a look at it. My hunch is that Davis-Bacon only peripherally affects small business, but I would like to see some data on that.

Thank you for yielding.

Mr. STATON. Certainly. And I raised the point simply in response to the problems encountered by the previous witness in terms of what he had to do to make a reasonable profit for his work on a contract. It seemed to me like something that might be considered—if we are going to continue with 8(a) programs or small business set asides for military contracts, or any sort of Government construction projects—what the impact could be if, for lack of a better term, a short-term exemption from Davis-Bacon or something of this nature could be looked at. Because obviously, wages are an extemely important part of the entire contract package, what you have to pay your workmen.

So I would only suggest that there is a possibility that Davis-Bacon could have an impact on this. It would help minority contractors to more quickly realize profit out of their contracts as well as establishing, as you pointed out, a track record of successfully completed contracts thus build a résumé, if you will, of successful work and the work being reviewed and so forth by the Corps of Engineers and the people involved would lend itself to that.

I am a little concerned, in talking about competing on a nationwide basis—and again, wages being a considerable part of that competition that it might be a hindrance for a smaller firm to be under the same regulations. I recognize full well the implications of the provisions of Davis-Bacon, but I simply say this might be an area where we could look at assisting minority contractors, or any small business for that matter, to begin a successful career with—I hate to use the word graduation period as we have in 8(a)—but with something of this nature that might be a point in their favor in helping them become more profitable. I would just be interested in what you all would think about looking into some of those things.

I don't have any further questions, Mr. Chairman.

Mr. MITCHELL. Mr. Daub.

Mr. DAUB. Good morning, Mr. Administrator.

I know of your support for the 8(a) program generally, and I am particularly pleased that you are here today to demonstrate the Administration's interest in continuing the pilot program.

Part of the problem with the pilot program is housed within the Defense procurement base and is not so much because of the lack of cooperation but it is because of the inability to really get a contract off the ground over there in a year or two.

Mr. CARDENAS. You're probably correct.

Mr. DAUB. I have been studying this since our chairman and I visited on the floor last week about the 8(a) program, and I have come to the conclusion, Mr. Chairman, that there is as much to that as there is to the inability to get along with small business, that it is just the nature of doing business and the new concepts of multiyear procurement that came out of the Government Operations Committee and was passed on the floor of the House. It tends to make it very complicated, especially if you're a brand new business that is just trying to get started. They have enough problems, let alone dealing with the Defense agency establishment in negotiating and starting and getting a job done with all the roadblocks.

Is there any truth to that in anyone's view on your panel this morning?

Mr. TEMPLEMAN. There may very well be truth to that, Congressman. As you well know, as you are alluding to, on the procurement cycle, from the time the idea is in the specification stage to procurement can be very, very lengthy on some of these large requirements.

Mr. DAUB. Especially if you're trying to match it to the objective of the pilot 8(a) program, to get somebody their first start.

Mr. TEMPLEMAN. I am sure that is part of the Army's objection, or lack of cooperation, I should say, with the pilot. They already have an extremely long period time, and those people who are not possibly as sensitive to our object here don't want to add additional time to the procurement cycle.

Mr. DAUB. Let me tell you flat out how I view this potential switch.

I think the contractors' testimony should be borne in mind, and I think it is meritorious and I think you should consider it—in 8(a) only—at this time. But I would like to see information targeted to which other agency, if in fact that switch is viable, and I would like to know if in the switch there is a broader scope of small business that can for the first time in 10 years get a shot at some Government business.

I don't think switching just for switching's sake solves many problems, because after a while, even after some adversary relationships or concerns about the length and the time and new business getting their shot at a Defense contract of some kind—which isn't all that reliable maybe, and performance is a question—I don't know as over a period of time we don't do well staying where we are if we can't show that more companies get more chances at more varied supply-type contract or vendor relationships.

That is what I would like to see you come up with, whether it is Transportation or Energy or wherever you might end up. Before this switch occurs, I would like to know that we're going to actually achieve a greater opportunity for socially disadvantaged business. I think that is the reason why you ought to make your switch.

Mr. Chairman, I have said my piece and gotten some degree of verification to another reason why the switch may be warranted.

Now, I would just like to reserve judgment on whether we switch or not, if we have anything to say about it, based upon greater

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opportunity for socially disadvantaged startup. That is what the 8(a) pilot is all about.

Mr. MITCHELL. I think your point is well taken, and I certainly compliment you for that kind of probing question that you raised.

Under the law, I think the President is required to designate the agency——

Mr. DAUB. Correct.

Mr. MITCHELL [continuing]. And if we are armed with that kind of background information, we can make a recommendation to him which would certainly be beneficial.

Mr. DAUB. Could we ask that you look at this more narrowly? And you don't have to commit yourself or the administration. But you can say agency A could do this for socially disadvantaged under objectives of 8(a) pilot; agency B, agency C, agency D, and agency X could offer this variety of new life and new opportunity for others within the socially disadvantaged business community that haven't had a shot at Government contracts heretofore, especially when limited only to the Defense agencies.

If you do that, I think we would all have a more logical and reasonable mechanism by which we can speak as a Congress to the President with regard to that designation.

Mr. CARDENAS. Congressman, your point is well taken. I think earlier I alluded that that was primarily one of my reasons. But we will sit down with staff and get back to you with that.

Mr. DAUB. It shouldn't take you more than 10 days, really. You have got all the expertise right there in your own shop and I think you ought to hustle along with this and get it going.

Mr. CARDENAS. I think we do. But we will get back to you. I think it is imperative and well taken.

Mr. DAUB. Thank you.

Mr. MITCHELL. Thank you, Mr. Daub.

[Information requested above follows:]

OCTOBER 19, 1981.

Hon. PARREN J. MITCHELL,
Chairman, Committee on Small Business,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: At a House Small Business Committee hearing on September 22, 1981, Representative Hal Daub requested data on contracting opportunities for disadvantaged small businesses in agencies other than the Department of Defense. Enclosed is information relevant to that request. Fifteen to twenty projects are contemplated for a reauthorized pilot program. There appears to be adequate opportunities in a non-defense agency for a pilot program of this size.

This table would have been provided to you immediately, but the Small Business Administration had been informed that Representative Daub no longer needed this material from us.

In reference to discussions at the markup about SBA's recommendation of a participating agency, a recommendation to the President prior to the passage of the legislation extending the life of the progam is not anticipated.

Sincerely,

MASHALL PARKER,
Assistant Administrator for External Affairs.

Enclosures.

HIGH TECHNOLOGY CONTRACT OPPORTUNITIES IN NON-DEFENSE FEDERAL AGENCIES—FISCAL YEAR 1980

[Dollars in thousands]

	NASA	Department of Energy	Dept. of Health and Human Services	Department of Transportation	EPA	Department of Interior	Veterans' Administration	AID
(1) Research and development	$2,438,476	$1,341,078	$515,182	$146,465	$226,553	$128,501	$3,603	$4,263
(2) Data processing	34,200	4,526	26,181	18,030	337	11,818	3,989	(1)
(3) Communications equipment	17,949	(1)	151	126,017	36	2,023	7,241	37
(4) Electronic equipment	10,816	1,887	60	6,853	(1)	984	130	(1)
(5) Special industry machine	1,335	36,688	34	518	1,491	283	620	(1)
(6) Instruments and laboratory equipment	29,413	1,914	6,557	28,476	5,678	8,442	8,481	441
(7) Medical and dental equipment	457	85	0	29	77	(1)	190,197	(1)
(8) Professional and technical services	524,196	606,303	220,209	191,415	87,924	125,096	47,972	195,430
Total for high technology categories (sum of 1–8)	3,212,239	1,992,481	722,033	504,097	322,096	277,147	262,233	200,134
Total procurement budget fiscal year 1980	4,461,444	8,051,491	1,538,554	1,400,676	407,738	1,795,442	2,227,587	243,241

[1] Not reported.

Source: Federal Procurement Data Center. Figures for fiscal year 1980 for contracts over $10,000.

Mr. MITCHELL. Speaking of expertise, that is one of the reasons why I have some concern about your opposition to extending the surety bond program. You have given several reasons why it should not be extended.

First of all, let me comment that there has been no test of the surety bond program, not one single test of it, simply because under a past Administrator somebody failed to do their job, simply because no detailed standard operating procedures had been established and distributed to your various field offices, and regional offices. So I think it is a little unfair to oppose the extension of the surety bond program when the agency itself—under another Administrator, not you—simply created an impossible situation to test whether it could or could not work.

Second, you point out the lack of personnel to do this kind of thing. All of us in this Congress have been deluged with lobbying letters from SCORE and ACE saying, "Look, don't end us up. We have got the expertise to really help."

I think you would admit that when your personnel does not have expertise in some other area that you fall back on SCORE and ACE and people with expertise. Why not do the same thing with the surety bond program? I think you have the reservoir of expertise out there, and because it is there that somewhat negates your argument that your in-house personnel are not capable of doing this.

I would hope the subcommittee would go along with me and extend the surety bond waiver program. I think the classic illustration was Mr. Harrell, putting aside the fact that his contract was big and therefore he was excluded, but the difficulties he experienced in the bonding problem area, that his statement alone it would seem to me justifies us continuing the program to at least see whether or not it works. I believe that it could if it is ably administered.

Do you have any further questions, Mr. Hiler?

Mr. HILER. Mr. Chairman, could I ask that we submit questions for the record within the next several days to the witness?

Mr. MITCHELL. Certainly. Of course, all members will have that privilege, because I have about 10 here I would like to get answered. So all members will have the privilege of submitting questions in writing to you.

Mr. HILER. Thank you very much, Mr. Chairman.

Mr. MITCHELL. One last point I would like to make.

In your testimony you indicated that you planned to evaluate the pilot program and submit that evaluation to Congress when the program expires, by March 1983. Here again it is all the more reason for the 2-year extension, that by your own scenario you are justifying, it seems to me, a 2-year extension of the program rather than the 18 months. So we will continue to hammer away at that.

We will be talking with the members of the subcommittee and I would hope we could arrive at a position where we would have a 2-year extension of the program. I would hope we would arrive at a position where there would be an extension of the surety bond program, because I think it is incredibly naive to end the program before it has ever been tested.

Third, I would hope that we could get a report from you on how you are implementing some of the recommendations that came out of the GAO report.

Now, the last comment. We are very grateful that the administration is supporting the Army pilot program. The Members of Congress and those associated with the Hill sometimes—Mr. Templeman and others—know that there are degrees of support. It is one thing to make a statement "I support the Army pilot program," and it is quite another to make that statement and then do the actual lobbying and work to get the program through.

Are you committed to that lobbying effort on behalf of the administration, to get the program through, or do you know whether the administration plans to send its lobbyists to talk to the Members of Congress to insure that there will be an extension?

Mr. CARDENAS. I am sure they have a commitment to see that it is extended to a civilian agency. But you can be assured of my cooperation to make sure this program is successful.

Mr. MITCHELL. That means a lobbying effort, then, on your part?

Mr. CARDENAS. Yes, sir.

Mr. MITCHELL. I'm getting old and I want to make sure I understand things well. [Laughter.]

That means you will be meeting with and talking to Members of the Senate and House in support of an extension of the program?

Mr. CARDENAS. Yes; in fact, we have started that already.

Mr. MITCHELL. Thank you very much for being in attendance this morning. I thank the members of the subcommittee for their participation.

Mr. CARDENAS. Thank you, Mr. Chairman, and members.

[Whereupon, at 10 a.m., the subcommittee adjourned, to reconvene subject to call of the Chair.]

[Material pertinent to this hearing follows:]

THE WHITE HOUSE

WASHINGTON

August 21, 1981

Dear Chairman Mitchell:

Thank you for your letter to President Reagan regarding your interest in seeing the nation achieve economic parity for minority businesses and your specific inquiries regarding the 8(a) program.

I serve as a Senior Policy Adviser to the President and small business is one of my areas of interest here in the Office of Policy Development. I have met with SBA and OMB officials and many delegations of minority business persons in the past several months on the very issues you raise in your letter.

Regarding the 8(a) pilot program, the Administration favors extension for an additional year, through September 1982. A draft bill to that effect has been submitted by SBA to OMB.

With respect to your request for a specific policy position from the Administration on minority business and economic development, a great deal of consideration is currently being given to creating sound policy in this area within the context of economic recovery goals. I would be happy to meet with you for a full discussion of this issue. Please let me know when you and I might sit down for such a discussion.

I assure you, Mr. Chairman, that President Reagan wants to see a strong and successful minority business community and wants to build upon the progress achieved by minority business over the past ten years. Whatsmore, competitive minority businesses are essential to the success of the President's Program for Economic Recovery.

Sincerely,

Mel Bradley

Melvin L. Bradley
Senior Policy Adviser
to the President

The Honorable Parren J. Mitchell
Congressman
U.S. House of Representatives
Washington, D. C. 20515

PREPARED

Statement of

The Associated General Contractors of America

Submitted to the

Committee on Small Business

United States House of Representatives

September 22, 1981

on the Topic of

Small Business Administration 8(a) Pilot Program Authority

AGC is:

* More than 30,000 firms including 8,500 of America's leading general contracting firms responsible for the employment of 3,500,000 - plus employees;

* 113 chapters nationwide;

* More than 80% of America's contract construction of commercial buildings, highways, industrial and municipal-utility facilities.

THE ASSOCIATED GENERAL CONTRACTORS OF AMERICA IS A NATIONAL ASSOCIATION OF APPROXIMATELY 30,000 FIRMS, INCLUDING MORE THAN 8,500 OF THE NATION'S LEADING GENERAL CONTRACTING COMPANIES. WELL OVER 90 PERCENT OF AGC'S MEMBERS ARE SMALL BUSINESSES AS DEFINED BY SBA'S SIZE STANDARDS.

AGC RECOMMENDS THAT CONSTRUCTION CONTRACTS BE SPECIFICALLY EXCLUDED FROM ANY CONTEMPLATED EXTENSION OF THE SMALL BUSINESS ADMINISTRATION'S 8(A) PILOT PROGRAM AUTHORITY. THE PILOT PROGRAM AUTHORITY ACCENTUATES ALL OF THE FLAWS IN THE REGULAR 8(A) PROGRAM, FLAWS WHICH AGC BELIEVES--AND HAS PREVIOUSLY SO ADVISED THIS COMMITTEE--SHOULD PRECLUDE 8(A) PROGRAM USE IN THE CONSTRUCTION INDUSTRY.

AGC HAS TWO PRIMARY REASONS FOR RECOMMENDING AGAINST THE USE OF THE 8(A) PROGRAM IN THE CONSTRUCTION INDUSTRY: FIRST, THE EXTREMELY HIGH COST THAT THE 8(A) PROGRAM ENGENDERS TO THE GOVERNMENT AND THE TAXPAYING PUBLIC; SECOND, THE 8(A) PROGRAM DOES NOT ACHIEVE ITS STATED PURPOSE IN CONSTRUCTION BECAUSE IT IN NOT COMPATIBLE WITH THE VERY NATURE OF THE INDUSTRY. THE PILOT PROGRAM AUTHORITY COMPOUNDS THESE PROBLEMS AND ITS USE IN CONSTRUCTION PROCUREMENT SHOULD BE TERMINATED.

WHENEVER COMPETITION IS LIMITED, OR ELIMINATED AS IN THE CASE OF THE 8(A) PROGRAM, HIGHER COSTS USUALLY RESULT. THIS HAS BEEN DIFFICULT TO MEASURE BECAUSE ONCE A CONSTRUCTION PROJECT HAS BEEN PULLED FROM THE OPEN COMPETITIVE MARKET FOR DELIVERY TO THE 8(A) PROGRAM, THERE IS NO OPPORTUNITY FOR COMPETITIVE BIDS. RECENTLY, HOWEVER, AGC HAS BEEN ABLE TO PRODUCE SEVERAL EXAMPLES OF THE HIGH COST OF THE PROGRAM WHICH SHOW THAT THE COST OF CONSTRUCTION WORK INCREASES ANYWHERE FROM 40% TO 120% WHEN CONTRACTS ARE SOLE SOURCE NEGOTIATED WITH AN 8(A) FIRM, RATHER THAT COMPETITIVELY BID. ATTACHED ARE SPECIFIC EXAMPLES FOR THE RECORD, BUT THE POINT IS THAT THESE INCREASES IN THE COST OF FEDERAL CONSTRUCTION ARE A RESULT OF THE REGULAR 8(A) PROGRAM UNDER WHICH THE PROCURING AGENCY HAS A CERTAIN AMOUNT OF DISCRETION IN DECIDING WHETHER OR NOT TO GIVE A PARTICULAR CONTRACT TO THE SBA. UNDER THE PILOT PROGRAM THE PROCURING AGENCY VIRTUALLY HAS NO DISCRETION TO DENY SBA A REQUESTED CONTRACT.

THE SECOND REASON FOR RECOMMENDING AGAINST THE USE OF THE 8(A) PROGRAM IN CONSTRUCTION IS BECAUSE THE 8(A) PROGRAM IS INCOMPATIBLE WITH THE VERY NATURE OF THE CONSTRUCTION INDUSTRY. THIS INDUSTRY, TYPIFIED BY FAMILY OWNED BUSINESSES THAT WORK CLOSE TO HOME, IS EXTREMELY COMPETITIVE AND OPEN. CONSTRUCTION IS NOT DOMINATED BY A FEW FIRMS, RATHER IT IS DOMINATED BY THE OPEN COMPETITIVE BIDDIN SYSTEM WITH AWARD TO THE LOWEST RESPONSIBLE BIDDER. COMPETITION ASSURES THAT THE INDUSTRY WILL REMAIN OPEN. TO SURVIVE IN THE CONSTRUCTION INDUSTRY, THEN, ONE MUST LEARN TO BE COMPETITIVE; ONE MUST LEARN TO SUBMIT THE LOWEST RESPONSIBLE BID. YET, THE 8(A)

PROGRAM, THE STATED PURPOSE OF WHICH IS TO "PROMOTE THE COMPETITIVE VIABILITY OF SOCIALLY AND EOCNOMICALLY DISADVANTAGED FIRMS," NEVER REQUIRES THE FIRMS TO BE COMPETITIVE, NEVER REQUIRES THE FIRMS TO BID. THE 8(A) PROGRAM IN CONSTRUCTION IS A SOLE SOURCE NEGOTIATION PROGRAM--NOT EVEN COMPETITIVE NEGOTIATION--BUT SOLE SOURCE. ONE HAS TO WONDER HOW A FIRM CAN LEARN TO BE COMPETITIVE, WITHOUT EVER HAVING TO COMPETE. GIVING A CONTRACT TO A FIRM IN THE 8(A) PROGRAM AND NEGOTIATING THE PRICE FOR THE WORK, DOES NOT HELP THAT FIRM IN THE SLIGHTEST TOWARD BECOMING A COMPETITIVE BUSINESS. IN FACT, IT REMOVES THE 8(A) CONTRACTOR FROM THAT PORTION OF THE PROCESS IN WHICH COMPETITIVE SKILLS ARE DEVELOPED. SURVEYING THE MARKET OF AVAILABLE WORK, DECIDING WHICH JOBS YOU HAVE THE CAPABILITIES TO PERFORM, ESTIMATING THE JOB, OBTAINING BONDING, SOLICITING COMPETITIVE SUBCONTRACT BIDS AND SUPPLY QUOTES, AND FINALLY PREPARING A COMPETITIVE BID ARE THE SKILLS WHICH ARE NEEDED TO BECOME COMPETITIVE IN CONSTRUCTION. THE 8(A) PROGRAM DISCOURAGES THE DEVELOPMENT OF THESE SKILLS.

ONCE A COMPETITIVE CONTRACT IS WON, A CONTRACTOR MUST USE HIS TECHNICAL SKILLS TO SCHEDULE THE PROGRESS OF THE WORK, COORDINATE DELIVERY OF MATERIALS, MANAGE THE PERFORMANCE OF THE CONSTRUCTION BY HIS EMPLOYEES, AND ENSURE THAT IF ANY SUBCONTRACTORS ARE ON THE JOB, THEY ARE PERFORMING THEIR TASKS AND ON SCHEDULE. THESE SKILLS ALSO ARE NOT DEVELOPED BY THE 8(A) PROGRAM BECAUSE SBA ALLOWS AN 8(A) CONSTRUCTION FIRM TO SUBCONTRACT UP TO 85 PERCENT OF THE WORK, AND WE UNDERSTAND THAT THIS 85 PERCENT SUBCONTRACTING LEVEL IS ALMOST ALWAYS REACHED. SUBCONTRACTING IS, OF COURSE, A PART OF CONSTRUCTION. DEPENDING ON THE NATURE OF THE CONSTRUCTION PROJECT, THE GENERAL CONTRACTOR MAY COMPLETE THE WORK ENTIRELY WITH HIS OWN FORCES, OR

MAY SUBCONTRACT SEGMENTS OF THE WORK AS HE DEEMS APPROPRIATE. HOWEVER, 85 PERCENT OF A JOB IS AN EXTREMELY HIGH SUBCONTRACT PERCENTAGE, AND, IN FACT, WOULD NOT BE ALLOWED ON MOST FEDERAL CONSTRUCTION CONTRACTS WHICH REQUIRE THAT THE CONTRACTOR PERFORM BETWEEN 50 PERCENT AND 80 PERCENT OF THE WORK WITH HIS OWN FORCES. RETAINING ONLY 15 PERCENT OF THE CONSTRUCTION CONTRACT WOULD GENERALLY RESULT IN THE 8(A) FIRM SERVING ONLY AS A CONDUIT TO PASS ALONG PAYMENT TO THE SUBCONTRACTOR OR SUBCONTRACTORS. AN 8(A) FIRM, INCIDENTALLY, IS NOT REQUIRED TO SUBCONTRACT THAT 85 PERCENT OF THE WORK TO ANOTHER DISADVANTAGED BUSINESS, OR EVEN ANOTHER SMALL BUSINESS. WE ARE LEFT WONDERING HOW LONG A FIRM WHICH HAS BEEN DEVELOPED IN THIS FASHION WILL LAST WHEN, OR IF, IT IS EVER REMOVED FROM THE PROGRAM OR REQUIRED TO COMPETE FOR WORK WITH THE REST OF THE INDUSTRY.

DESPITE THE FACT THAT THE 8(A) PROGRAM IS NOT RELEVANT TO PARTICIPATION IN THE CONSTRUCTION INDUSTRY, CONSTRUCTION HAS BEEN RELIED ON HEAVILY BY AGENCIES AND THE SBA TO ACHIEVE 8(A) USAGE. THE RECENT GAO REPORT ON THE 8(A) PROGRAM INCLUDED A BREAKDOWN OF THE FIRMS WHICH ARE INCLUDED IN THE 8(A) PORTFOLIO. THE BUSINESS CATEGORY WITH THE LARGEST NUMBER OF PARTIICPATING FIRMS WAS CONSTRUCTION, AT 34 PERCENT. HOWEVER, THE IMPACT IS EVEN GREATER THAN THIS NUMBER IMPLIES. CONSTRUCTION IS THE ONLY CATEGORY THAT ONLY INCLUDES ONE INDUSTRY. THE OTHER CATEGORIES, FOR EXAMPLE "PROFESSIONAL SERVICES" OR "NONPROFESSIONAL SERVICES" ARE BROAD GROUPINGS WHICH CAN COVER A VARIETY OF INDUSTRIES. NO OTHER INDUSTRY IS IMPACTED AS SINGULARLY OR AS SIGNIFICANTLY AS CONSTRUCTION.

THIS HEAVY RELIANCE ON CONSTRUCTION CONTRACTS TO PROVIDE WORK TO FIRMS IN THE 8(A) PROGRAM HAS BEEN GIVEN EVEN GREATER EMPHASIS UNDER THE PILOT PROGRAM. THE LAST AVAILABLE STATISTICS SHOW THAT 11 OF 29 PILOT PROGRAM PROCUREMENTS, ALMOST 40% WERE CONSTRUCTION CONTRACTS. HOWEVER, FROM OUR READING OF THE THE LEGISLATIVE HISTORY OF THE PILOT PROGRAM AND THE DELIBERATIONS LAST YEAR WHEN IT WAS EXTENDED, AGC UNDERSTANDS THAT THE PROGRAM IS SUPPOSED TO UTILIZE NON-TRADITIONAL, HIGH TECHNOLOGY, AND HIGH VOLUME PROCUREMENTS--PROCUREMENTS WHICH HAVE NOT BEEN A SIGNIFICANT PART OF THE 8(A) PROGRAM IN THE PAST. CERTAINLY, CONSTRUCTION CONTRACTS DO NOT MEET THIS DEFINITION. AND YET, SIX CORPS OF ENGINEER CONTRACTS FOR STANDARD CONSTRUCTION PROJECTS, SUCH AS UTILITY FILL WORK OR A COMMISSARY STORE BUILDING HAVE GONE TO THE 8(A) PROGRAM UNDER THE PILOT AUTHORITY. WE WERE PLEASED TO SEE THAT THE CHAIRMAN OF THE SENATE SMALL BUSINESS COMMITTEE NOTED IN INTRODUCING S. 1620 THAT "THE CONCEPT OF THE PILOT AUTHORITY EVOLVED OUT OF A RECOGNITION THAT MOST OF THE FEDERAL CONTRACTS AWARDED UNDER THE 8(A) PROGRAM HAVE TRADITIONALLY BEEN FOR WORK IN GENERAL CONSTRUCTION OR GENERAL SERVICES. HENCE, CONGRESS IN 1978 AUTHORIZED THE PILOT PROGRAM TO GIVE SBA THE AUTHORITY TO SELECT CONTRACTS IN NONTRADITIONAL, HIGH TECHNOLOGY AREAS."

BECAUSE OF THE UNREASONABLE COSTS OF THIS PROGRAM AND BECAUSE OF ITS INCOMPATIBILITY WITH THE CONSTRUCTION INDUSTRY, AGC STRONGLY URGES YOU TO MAKE IT CLEAR, IF YOU EXTEND THIS PILOT PROGRAM AUTHORITY, THAT CONSTRUCTION CONTRACTS WERE NOT INTENDED TO BE USED AND THAT THEY ARE SPECIFICALLY EXCLUDED FROM FUTURE CONSIDERATION UNDER THE PILOT PROGRAM AUTHORITY.

The following are examples of the increase in the cost of construction when projects are negotiated with 8(a) firms rather than award by competitive bid: A highway relocation project in Idaho was removed from the competitive market by the Federal Highway Administration and given to the SBA for the 8(a) program. SBA provided a contractor for the job who submitted a proposal of $3.9 million for the work. This price was $911,000 over the government's estimate and FHWA eventually agreed to remove a portion of the work from the contract. In addition, SBA agreed to give the 8(a) contractor $350,000 in business development expense funds for the purchase of equipment. With these changes the 8(a) firm was able to offer a price of $3.025 million. It should be noted that this 8(a) contractor's past construction experience had been in the $200,000 or less range with limited highway construction experience and that a non-8(a) construction firm was to be a major subcontractor and would in fact be in charge of the project.

FHWA decided not to award the contract to the 8(a) firm but to competitively bid the entire work, including the previously removed portion. Three months later 19 firms bid for the work. When the bids were opened on May 7, 1981, the low bid price was $2.355 million. The government and the taxpayers saved nearly $1 million. When added to the additional $350,000 in business development expense funds that would not be paid out, the competitive price represents a 40 percent savings and this, even after three inflationary months had passed.

A second project, was given by the Corps of Engineers to the SBA for 8(a) utilization. A price of $416,000 was negotiated for the work with an 8(a) firm. The project, however, was eventually put out for competitive bid. Fourteen months after the contract could have been offered for competition, bids were finally opened. The low bidder was awarded the contract at a price of $188,950. This represents a 120-percent savings to the taxpayer.

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